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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

SUPREME COURT, U. S.
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CHARLES ELMORE CROPLEY
CLERK

No. 345

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, BEAVER, MEADE AND ENGLEWOOD RAILROAD COMPANY, CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY, ET AL.,

Appellants,

vs.

THE UNITED STATES OF AMERICA, INTERSTATE COMMERCE COMMISSION, STATE OF ALABAMA, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

STATEMENT AS TO JURISDICTION

H. C. Barron,
C. W. Feddis,
James G. Blaine,
H. E. Boe,
P. F. Gault,
J. A. Gillen,
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Toll R. Ware,
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DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF NEW YORK

Civil No. 2311

THE STATES OF NEW YORK, DELAWARE, INDIANA, MARYLAND, MICHIGAN, NEW JERSEY, OHIO, WISCONSIN AND THE COMMONWEALTH OF PENNSYLVANIA,

Plaintiffs;

vs.

THE UNITED STATES OF AMERICA,

Defendant

Civil No. 2337

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, ET AL.,

Plaintiffs,

vs.

THE UNITED STATES OF AMERICA,

Defendant

STATEMENT OF JURISDICTION

In compliance with Rule 12 of the Revised Rules of the Supreme Court of the United States, The Atchison, Topeka and Santa Fe Railway Company, et al., submit herewith their statement particularly disclosing the basis upon which the Supreme Court has jurisdiction on appeal to review the final decree and order of the District Court entered in the above entitled consolidated causes on May

27, 1946. A petition for appeal was filed by The Atchison, Topeka and Santa Fe Railway Company, et al., on June 25th, 1946, and is presented to the District Court herewith.

I

Jurisdiction

The jurisdiction of the Supreme Court to review by direct appeal the final decree and order entered in these causes is conferred by Title 28, Section 47a of the United States Code, and particularly the following provisions thereof:

> "A final judgment or decree of the District Court in the cases specified in section 44 of this title may be reviewed by the Supreme Court of the United States if appeal to the Supreme Court be taken by an aggrieved party within sixty days after the entry of such final judgment or decree, and such appeals may be taken in like manner as appeals are taken under existing law in equity cases." (36 Stat. 1150; 38 Stat. 220)

The following decisions sustain the jurisdiction of the Supreme Court to review the final decree and order on direct appeal in this case:

Ann Arbor R. Co. v. *United States*, 281 U. S. 658;
Texas & Pacific Ry. Co. v. *United States*, 289 U. S. 627;
United States v. *Hancock Truck Lines, Inc.*, 324 U. S. 774.

II

Statutes Involved

The principal statute involved is the Interstate Commerce Act of February 4, 1887 (24 Stat. 379), as amended (Title 49 U. S. C. A. Sections 1, 3(1) and 15), and particularly the following provisions thereof:

> "It is hereby declared to be the national transportation policy of the Congress * * * to encourage the

establishment and maintenance of reasonable charges for transportation services without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices * * *." (49 U. S. C. A. Supp. 1945, p. 4; 54 Stat. 899)

"Section 1(4): It shall be the duty of every common carrier subject to this chapter to provide and furnish transportation upon reasonable request therefor and to establish * * * just and reasonable rates, fares, charges and classifications applicable thereto; * * *." (49 U. S. C. A. Sec. 1(4))

"Section 1(5)(a): All charges made for any service rendered or to be rendered in the transportation of passengers or property as aforesaid, or in connection therewith, shall be just and reasonable, and every unjust and unreasonable charge for such service or any part thereof is prohibited and declared to be unlawful" (49 U. S. C. A. Sec. 1(5)(a)).

"Section 3(1): It shall be lawful for any common carrier subject to the provisions of this chapter to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit points, region, district, territory, or any particular description of traffic, in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic, to any undue or unreasonable prejudice or disadvantage in any respect whatsoever; or to subject any particular person, company, firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory, or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever: *Provided, however*, That this paragraph shall not be construed to apply to discrimination, prejudice, or disadvantage to the traffic of any other carrier of whatever description." (49 U. S. C. A. Sec. 3(1)).

There is also involved in these causes a Resolution of Congress contained in the Transportation Act of 1940, Section 5(b), commonly known as the Ramspeck Resolution (49 U. S. C. A. Supp. 1945, Sec. 3, footnote; 54 Stat. 902), which reads as follows:

> "(b) The Interstate Commerce Commission is authorized and directed to institute an investigation into the rates on manufactured products, agricultural commodities, and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to Part I of the Interstate Commerce Act, as amended, for the purpose of determining whether said rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist: *Provided*, That the Commission in its discretion may confine its investigation to such manufactured products, agricultural commodities, and raw materials, and the rates thereon as shippers thereof may specifically request be included in such investigation."

III

The Issues and the Ruling Below

This proceeding was initiated by the Interstate Commerce Commission on July 29, 1939 to investigate the lawfulness of the freight classifications throughout the United States (I. C. C. Docket No. 28310) and the lawfulness of the class rates throughout all the United States east of the Rocky Mountains (I. C. C. Docket No. 28300). Said class rates, with few exceptions, had been prescribed by the Commission itself in previous extended investigations as being just, reasonable and nondiscriminatory. Such

rates vary as between the several rate territories and within the respective territories, reflecting and pursuant to the differences in costs of transportation and other factors of rate making which, prior to its said orders, were always recognized by the Commission as controlling. The class rates in the western territories had been prescribed by the Commission at levels substantially higher than the levels prescribed by it for Official Territory, which comprises the heaviest traffic density territory and is that part of the country lying north of the Ohio and Potomac Rivers and east of the Mississippi. ("Official Territory," as referred to herein, includes "Illinois Territory.")

The Commission conducted extensive hearings in these proceedings over a period of years and submitted in the record of the proceedings the most comprehensive study ever made of costs of railroad transportation in this country, a cost study made under the direction of the Commission's cost section. More than five thousand pages of testimony and hundreds of exhibits were introduced into the record. Wide publicity was given to the proceeding and the Commission invited shippers to appear.

The fact that the shippers in the western territories are satisfied with the long-standing rate structure was demonstrated forcefully, since not a single shipper or receiver of freight in Southwestern Territory testified at the hearings, and only three commercial witnesses, speaking for individual establishments in the extensive Western Trunk Line Territory testified. One of those three urged that the western class rates be maintained on a basis thirty per cent higher than class rates in Official Territory.

The oral arguments were held before the full Commission for a period of ten days, June 14 to June 23, inclusive, 1944. The case was submitted to the Commission on July 15 of that year. The Commission announced its

decision on May 15 of the following year. That decision, with four Commissioners dissenting, or concurring only in part, is reported at 262 I. C. C. pages 447 to 766, inclusive. (Exhibit 1 attached hereto)

In its report, the Commission found that the cost study possessed sufficient attributes of accuracy to enable the Commission to rely upon it. (262 I. C. C. at 693) The Commission also found that the study showed the costs of less-than-carload traffic in the western territories to be from 27% to 34% higher than in Official Territory, 39% higher than in the Pocahontas Region of Official Territory, and from 37% to 45% higher than in Southern Territory. It further found the costs of carload traffic in the western territories to be from 16% to 18% higher than in Official Territory.' The Commission's cost study thus confirmed the general knowledge of the differences in territorial costs theretofore recognized by the Commission and underlying the historic differences between the rate levels in Western Territory and Official and Southern Territories as prescribed by the Commission. Nevertheless the Commission held by its said orders that the class rates and territorial rate differentials which it had itself established, and previously approved after extensive investigations and mature consideration, were all unjust, unreasonable, discriminatory, and unlawful, and concluded that all the interstate class rates from the Rocky Mountains to the Atlantic Ocean should be identical without regard to the existing territorial differences in costs and other transportation considerations. It ordered all the interstate class rates set aside and approved for application its own single scale of rates. (262 I. C. C. at 701) It provided for the preparation of a single uniform classification of freight, and concluded "That such revised uniform class rates and classification ratings shall be made applicable simulta-

neously," with the completion of such uniform classification. (262 I. C. C. at 702)

To effectuate its conclusion that all the presently effective class rates are unlawful because not uniform, and that uniform rates should be applied, the Commission ordered all the carriers east of the Rocky Mountains, including plaintiffs, to cancel the existing class rates and to maintain, during the period of preparation of the uniform classification, as an interim basis, new class rates which "will approach as a preliminary step, the uniformity of class rate structure which we have previously found will be just, fair and reasonable" 262 I. C. C. at 703). This so-called *ad interim* scale, would reduce by ten per cent the class rates of carriers in the western territories where the cost of performing the service is highest, would reduce, also by ten per cent, the class rates of carriers in the Southern Territory where the costs of performing the service is substantially lower than in the west, would increase by ten per cent the intraterritorial class rates of carriers in Official Territory where the cost of performing the transportation service on carload traffic is lowest, and would uniformly reduce by ten per cent all interterritorial class rates notwithstanding the varying costs.

Petitions for reopening and reconsideration were filed by several parties. The petition of the Western Lines pointed out, in part, that the newly prescribed rates would increase the deficit which the Commission found already to exist in the transportation of less-than-carload traffic, and would be confiscatory.

On October 30, 1945 the Commission issued its supplemental report and order (Exhibit 2, atached hereto) in which it rejected the petition of the Western Lines for reopening and reconsideration. The supplemental report and order made certain minor changes in the original report and

order, and provided that the newly prescribed rates should become effective on January 1, 1946.

On November 27, 1945, the States of New York, Delaware, Indiana, Maryland, Michigan, New Jersey, Ohio and Wisconsin and the Commonwealth of Pennsylvania filed their petition in the District Court of the United States for the Northern District of New York, seeking an order enjoining, setting aside and annulling the said reports and orders of the Commission. The District Court granted petitions to intervene on behalf of the thirty-three western railroads making this statement, the Governors of all the New England States, the Interstate Commerce Commission, the southern States and southwestern States, certain middle western States, the Southern Governors' Conference, and several State commissions.

After hearing, on oral argument and on brief, an injuction *pendente lite* was granted on December 20, 1945, restraining the enforcement of the Commission's orders. (Exhibit 3, attached hereto) *

Thereafter, the western carriers which had intervened in the initial suit filed their petition in the same court also seeking to set aside the said orders of the Commission. The States of New York and Ohio and the Governors of all the New England States intervened as parties plaintiff, the Interstate Commerce Commission, the southern States, the Southern Governors' Conference, the western States and their commissions intervened as parties defendant. By order of the court, the two causes were consolidated into a single consolidated cause.

The District Court, consisting of the Honorable Harrie B. Chase, Circuit Judge, and the Honorable John C. Knox and Stephen W. Brennan, District Judges, held a hearing

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*(CLERK'S NOTE.—Exhibits 3, 4, and 5 are printed as appendices to the jurisdictional statement in No. 343 and are not reprinted here.)

on February 18 to 21, inclusive, during which the Court received certain additional testimony and exhibits relating to the issues of the confiscation which would be caused to the western carriers if the proposed rates were to be placed in effect, received briefs and heard extended argument.

The Court then considered the case at length. On May 9, 1946, the Court filed a thirty-four page opinion, concluding that the petitions should be dismissed without prejudice to another suit by the western carriers to enjoin the new rates after a test period. (Exhibit 4, attached hereto) The opinion did not discuss or refer to the findings of the Commission that the costs of transportation in the western territories are substantially higher than in Official Territory. It did not point to any evidence or findings sustaining the Commission's conclusion that it has become unlawful for carriers in different parts of the country whose costs of transportation are substantially different, to charge different rates.

On May 23, 1946, the District Court heard extended arguments on motions to continue the injunction pending appeal. On May 27, 1946, it filed its final decree and order dismissing the petitions in accordance with the opinion and continuing the stay of the Commission's orders, pending the determination of appeals. (Exhibit 5, attached hereto)

IV

The Questions Are Substantial

The decision of the Commission in this proceeding is generally recognized as the most momentous and far-reaching in the history of the Commission. Its tremendous economic importance is indicated, but not adequately measured, even by its broad geographical scope, by its serious and immediate financial effect, and by the large numbers of States, carriers and other parties to these proceedings.

The decision marks a clean break with the principles of rate making that have been applied through the country for generations, by the carriers, the Commission, and the courts. The Commission, in its report, referred to "the magnitude and complexity of the issues in these proceedings", (262 I. C. C. at 455) and concluded that the provisions of the Transportation Act of 1940 had so changed the legal tests of the lawfulness of rates and had so "enlarged the power of the Commission over this subject" (262 I. C. C. at 689) that all the existing territorial differences in costs of transportation, density of traffic, composition and consist of traffic could and should be disregarded and flat uniform class rates ordered into effect. In thus abandoning the criteria by which the lawfulness of rates has always heretofore been tested, the Commission has established a novel rule that it is unreasonable and discriminatory for different carriers operating in different territories to charge different rates, mile for mile, notwithstanding the fact that the costs and other transportation conditions are different, and the fact that the present rates thus condemned were established by the Commission itself in recognition of such different conditions.

The Commission has further held that the present class rates for less-than-carload traffic in the western territories which are lower than the costs of transporting that traffic, should be further lowered for the purpose of establishing uniformity with the rates in Official Territory, in disregard of the territorial differences in the costs of transporting such traffic. The District Court has held that such reduced rates should be put into effect for a test period, notwithstanding the Commission's finding that even the present rates produce a deficit.

The District Court concluded that the questions of law here are "of great importance to the shippers, the carriers

and the public of this country. There are reasonable and serious doubts as to the determination of these novel and important questions." (See Exhibit 5, p. 4, attached hereto)

We believe the questions presented by this appeal are novel and substantial and are of the utmost public importance.

Respectfuly submitted,

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Dated: June 25th, 1946.

EXHIBIT 1 13

24573

INTERSTATE COMMERCE COMMISSION

No. 28300

CLASS RATE INVESTIGATION, 1939

No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

Submitted July 17, 1944. Decided May 15, 1945

PART I

Upon investigation in No. 28310 into descriptions of articles, carload minimum weights, and ratings in official, Illinois, southern, and western classifications applicable to transportation of property throughout the United States, in interstate or foreign commerce, by railroad, by water, or partly by rail and partly by water, found:

1. That the present official, Illinois, southern, and western classifications, insofar as the ratings named therein are concerned, as a whole, are and for the future will be unjust and unreasonable, in violation of section 1 (4) and (6) of the Interstate Commerce Act.
2. That the present official, Illinois, southern, and western classifications, insofar as the ratings named therein are concerned, as a whole, because of the substantial number of differences in such ratings, result and will result in undue and unreasonable preference and advantage and in undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.
3. That to make the classification fair and reasonable it is essential that the grouping of analagous articles and those with similar transportation characteristics, shall be made according to accepted and recognized principles of classification, and that scales of class rates be maintained providing different rates for the several classes of property, which shall bear a just and reasonable relation each with the others.
4. That it is impossible, without a basic unity in classification ratings throughout the country, to maintain a just and reasonable relation between the class rates on commodities moving in carload and less-than-carload lots, or as between competing commodities moving at class rates.
5. That the establishment of a uniform classification of property for transportation, with reference to which class rates of respondents are or may be made or prescribed, will be just and reasonable; and to the extent the classifications established by respondents are different and nonuniform, to that extent their existing classifications, as embraced within the Consolidated Freight Classification, are, and will be for the future, unjust and unreasonable in violation of section 1 (4) and (6) of the act.
6. That the findings as to uniformity are not intended to prevent establishment of exceptional classification ratings provided they are justified individually upon their own merits, do not violate the act, are not inconsistent with the national transportation policy, and do not tend to impair the general requirement of uniformity of classification.

7. That the general basis of the official classification, including the percentage relation between the classes, would be just and reasonable for application uniformly by respondents and should be established by them within a reasonable time.
8. That is it just and reasonable that a uniform classification should be established containing (*a*) classes, intermediate between the several classes in the official classification, corresponding to the columns prescribed in finding 1 in *Eastern Class Rate Investigation*, 164 I. C. C. 314, 373; 171 I. C. C. 481, 499; (*b*) the present regular classes which are multiples of class 1 (class 100); and (*c*) additional classes lower than the lowest class in the official classification. And that these classes in the uniform classification should be 80 in number ranging from class 400 to class 13.
9. That substantial uniformity exists in the present classifications as to descriptions of articles and carload minimum weights.
10. Respondents are given reasonable opportunity to initiate a lawful uniform classification before the Commission undertakes the task; respondents are expected to advise the Commission within 90 days from the service of this report whether they will undertake to make and tender a uniform classification based upon the findings herein. Jurisdiction retained to make such further order in the premises as may be proper in the event respondents decline to make and tender a uniform classification or omit to respond within the time specified.
11. That the uniform classification must be closely connected with the class scale or class scales of rates to be applied, to insure proper preservation of revenue for the carriers, and that the rates shall be just and reasonable and otherwise in conformity with the act.

PART II

Upon investigation in No. 28300 into lawfulness of interstate class rates, determined by ratings in official, Illinois, southern, and western classifications, applicable to transportation in interstate or foreign commerce of property by common carriers by railroad, by water, or partly by railroad and partly by water, subject to the Interstate Commerce Act, and the charges resulting therefrom, between all points in the United States except those in mountain-Pacific territory, found:

1. That the intraterritorial class rates (except as they apply to rail-and-water coastal service or relate to short- or weak-line arbitraries) applicable within official, Illinois, southern, southwestern, and western trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.
2. That the interterritorial class rates in issue in this proceeding applicable between official, Illinois, southern, southwestern, and western trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.
3. That the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories, on the other hand, makes, gives, or causes, and for the future will make, give, or cause, undue and unreasonable preference and advantage to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects, and for the future will subject, southern, southwestern, and

western trunk-line territories, as a whole, and the shippers and receivers of freight located therein, to undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.

4. That a just and reasonable basis of class rates, not unjustly discriminatory or unduly preferential or prejudicial, to be observed by respondents with respect to the traffic described in findings 1, 2, and 3 immediately preceding, will be the following:

(a) The application, as a maximum for class 1, of the scale of rates shown in appendix 10.

(b) The rates herein prescribed are to be applied to the distances over the shortest possible rail routes by which carload traffic can be interchanged between carriers without transfer of lading.

(c) Class-rate scales, other than class 1, shall bear percentage relations to the class 1 rates, as found to be just, fair, and reasonable in part I hereof. Rule prescribed for the disposition of fractions.

(d) Key point class rates based on the scale herein found reasonable may be established subject to our approval between points where such rates were prescribed by us in the prior general class-rate revisions.

(e) Such class rates shall apply to the ratings of commodities taking class rates as the same shall be rated in the uniform classification found to be just, fair, and reasonable in part I hereof.

(f) Such revised uniform class rates and classification ratings shall be made applicable simultaneously.

PART III

Pending establishment of the rate revisions and classification unification contemplated by the findings in part I and part II hereof, certain readjustments in the existing basis of class rates are required which will be just and reasonable and will bring to the minimum the preferences and prejudices found to be unlawful, as completely as it is practicable now to eliminate such violations. It is found that, on and after the effective date of the order to be entered in this proceeding:

1. The existing interstate class rates applicable to freight traffic moving at the classification ratings within southern, southwestern, and western trunk-line territories and interterritorially between those territories, and also between those territories and official territory, will be unjust and unreasonable unless reduced 10 percent, subject to specified distance rates as minima; but no changes in existing exception rates or column rates, or in groupings in connection with the present class rates, are contemplated by this finding.

2. Simultaneously as part of the adjustment, the existing applicable interstate class rates for freight traffic moving at classification ratings within official territory (including Illinois territory) should be increased [illegible] percent as maxima, in the manner specified in the report, and as so increased the class-rate scales will be just and reasonable; this finding is based in part upon the finding that the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to class-rate traffic of the carriers in the other territories described.

3. The present minimum charge per shipment on less-than-carload shipments moving at class rates in the territory included in No. 28300, is less than a just and reasonable minimum charge to the extent that it is less than

75 cents; and 75 cents is a just and reasonable minimum charge on such shipments.

T. P. Healy, J. F. Eshelman, H. L. Walker, W. L. Grubbs, Charles Clark, F. W. Gwathmey, E. J. Zoll, Jr., W. T. Hughes, J. P. Plunkett, J. R. Bell, D. T. Smith, H. C. Barron, C. T. Abeles, B. F. Batts, J. G. Blaine, H. E. Boe, R. E. Boyle, Jr., H. D. Boynton, R. D. Brooks, W. M. Crandall, J. P. Canny, Henry Christianson, J. Cibulka, P. H. Daniel, A. J. Dixon, A. P. Donadio, E. H. Dulaney, C. S. Edmonds, A. B. Enoch, C. L. Ewing, J. A. Fisher, J. E. Flansburg, W. S. Flint, R. C. Fyfe, J. P. Ganly, P. F. Gault, J. A. Gillen, L. J. Gosney, H. L. Hanes, J. P. Harrington, H. J. Hart, N. W. Hawkes, J. W. Hewitt, E. A. Hodkinson, G. W. Holmes, E. J. Hyett, George Jeck, Denver Jordan, W. J. Kelly, C. B. Kerr, J. G. Kerr, L. E. Kipp, W. F. Knobeloch, H. H. Larimore, D. R. Lincoln, J. R. MacAnanny, J. C. McGohan, H. H. McLean, T. H. Maguire, E. M. Martin, Richard Musenbrock, L. S. Nichols, W. A. Northcutt, L. R. Nowotny, Conrad Olson, Guernsey Orcutt, A. E. Pfaff, C. P. Reynolds, V. A. Roane, M. G. Roberts, G. A. Ryser, D. T. Smith, E. A. Smith, William Spaulding, H. E. Spencer, B. H. Stanage, R. S. Stephenson, C. L. Taylor, Robert Thompson, L. A. Veroneau, G. L. Vivian, H. W. Ward, C. H. Ware, W. W Wolford, and *D. L. Younger* for respondent class I railroads.

C. A. Miller for respondent members of American Short Line Railroad Association.

N. D. Belnap and *F. W. Sullivan* for certain respondent water carriers.

O. L. Huntsman for Office of Price Administration and Director of Economic Stabilization; *G. L. Wilson* and *W. C. Parks* for Office of Price Administration; *C. R. Nutting* for War Food Administrator; *J. K. Knudson* and *Fletcher Quillian* for United States Department of Agriculture; and *W. C. Fitts, Jr., C. J. McCarthy, R. H. Marquis, R. H. Sheppard,* and *A. D. Spottswood* for Tennessee Valley Authority.

H. E. Foley for Governors of all New England States; *W. R. McDonald, Hugh White, J. W. Carter, W. O. Martin, Greek Rice, Stanley Winborne, J. W. Wolfe, H. A. Manning,* and *Porter Dunlap* for Southeastern Association of Railroad and Utilities Commissioners; *Prentice Cooper, J. M. Broughton, J. V. Norman* and *W. H. Wagner* for Southern Governors' Freight Rate Conference, representing States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee; and *J. C. Murray, C. B. Bee, B. M. Gray, C. C. Cammack, P. A. Frye, R. D. Moorhead, A. J. Scrivner,* and *E. R. Tanner* for Steering Committee of Southwestern States and Kansas.

Tom Stewart, United States Senator from Tennessee.

Hugh White for Alabama Public Service Commission; *A. A. Betts*, *H. G. Freas*, *William Peterson*, *L. G. Reif*, and *W. T. Wright* for Arizona Corporation Commission; *H. A. Adkins* for State of Arkansas; *J. C. Murray* and *T. E. Wood* for Arkansas Corporation Commission; *E. S. Reed* for Arkansas Agricultural and Industrial Commission; *L. R. Wood* for Arkansas State Highway Commission; *R. L. Riley* and *H. G. Freas* for California State Railroad Commission; *H. S. Sherman* and *T. S. Wood* for Colorado Public Utilities Commission; *S. L. Holland*, *F. C. Hillyer*, *J. W. Carter*, *T. C. Maurer*, *T. T. Turnbull*, and *I. T. Williams* for State of Florida and Florida Railroad Commission; *F. E. Harrison*, *Jr.*, for Governor of Florida and Florida State Road Department; *Fred Pettijohn* for Florida Railroad Commission; *W. R. McDonald* for Georgia Public Service Commission; *H. A. Hollopeter* for Governor of Indiana; *Walter Condran* and *J. A. Lucas* for State of Iowa and Iowa State Commerce Commission; *H. E. Davidson*, *C. W. Reed*, *C. B. Ellis*, and *W. A. McClintock* for Iowa State Commerce Commission.

B. M. Gray for Kansas Corporation Commission and Kansas Industrial Development Commission; *C. S. Hunter* for Kansas Corporation Commission; *E. S. Dummit*, *Hubert Meredith*, *M. B. Holifield*, and *L. F. Orr* for Commonwealth of Kentucky, *F. L. McCarthy*, *J. E. Fisher*, *Mrs. J. W. Langley*, *C. M. Bishop*, *J. E. Marks*, and *R. E. Webb* for Kentucky Railroad Commission; *P. A. Frey* and *L. F. Sherer* for State of Louisiana and Louisiana Public Service Commission; *W. O. Martin* for Louisiana Public Service Commission; *W. C. Walsh* for State of Maryland; *A. O. Graves* for Michigan Public Service Commission; *L. R. Bitney* and *O. A. Radke* for State of Minnesota and Minnesota Railroad and Warehouse Commission; *P. R. Moore*, *E. A. Nightingale*, and *R. E. Wilson* for Minnesota Resources Commission; *Greek Rice* for Mississippi Public Service Commission; *B. R. Gillespie*, *H. F. Cholet*, *J. D. James*, and *W. A. Weeks* for Missouri Public Service Commission.

H. E. Kokjer, *Edwin Vail*, *F. A. Good*, *J. A. Little*, *D. J. Swanson*, *W. R. Johnson*, and *H. C. King* for Nebraska State Railway Commission; *C. B. Sexton* for Nevada Public Service Commission; *D. T. Wilentz*, *Robert Peacock*, and *C. V. Hanlon* for State of New Jersey; *Robert Peacock* for Governor of New Jersey and New Jersey Board of Commerce and Navigation; *Parker McCollester*, *C. E. Bell*, *J. J. Bennett*, *Jr.*, *F. J. Clark*, *Timothy Cohan*, and *N. L. Goldstein* for State of New York; *L. J. Dorr* for New York State Department of Agriculture and Markets; *Stanley Winborne* and *H. M. Nicholson* for North Carolina Utilities Commission; *N. E. Williams* and *A. C. Strutz* for State of North Dakota; *B. C. Larkin*, *S. S. McDonald*,

C. W. McDonnell, J. M. Agrey, and *C. F. Kelsch* for North Dakota Public Service Commission.

T. J. Herbert and *K. L. Sater* for State of Ohio; *C. B. Bee* and *Bennett Bond* for Oklahoma Corporation Commission; *Edward Martin, E. A. DeLaney,* and *J. H. Duff* for Commonwealth of Pennsylvania; *J. W. Wolfe* for South Carolina Public Service Commission; *H. A. Manning* for South Carolina State Ports Authority; *William Williamson* and *C. A. Carr* for South Dakota Public Utilities Commission; *Porter Dunlap* and *J. O. Hendley* for Tennessee Railroad and Public Utilities Commission; *Grover Sellers, R. D. Moorhead, G. C. Mann,* and *C. C. Cammack* for State of Texas; *B. H. Jester, Olin Culberson, E. O. Thompson,* and *A. J. Scrivner* for Texas Railroad Commission; *C. A. Root* for Utah Public Service Commission; *H. E. Ketner* for Virginia State Corporation Commission; *P. H. Porter, C. E. Schreiber,* and *I. A. Sherman* for Wisconsin Public Service Commission; and *N. F. Bahrenburg* for Wyoming Public Service Commission.

D. H. Berry for city and port of Beaumont, Tex.; *H. W. Wagner* for Norfolk, Va., Port Traffic Commission; *Herman Mueller* for St. Paul, Minn., Port Authority; and *T. J. McGinn* for Savannah, Ga., Port Authority.

P. H. Porter, G. M. Cummings, J. R. Davy, Allen Dean, F. A. Doebber, R. A. Ellison, Carl Giessow, A. O. Graves, H. A. Hollopeter, J. A. Jacobson, J. V. McMahon, H. B. McNeely, K. A. Moore, D. O. Moore, W. H. Ott, H. J. Schroeder, and *A. H. Schwietert* for Central Territory Rate Conference; *A. H. Schwietert* for Illinois Territory Traffic League; *W. H. Day, A. H. Ferguson,* and *H. E. Foley* for New England Traffic League; and *W. S. Creighton, J. H. Donnell, T. M. Henderson,* and *E. D. Wood* for Southern Traffic League.

M. S. Allison, T. R. Atchison, F. P. Aughnay, E. J. Bachman, C. G. Baker, D. A. Bandeen, G. W. Baxter, C. S. Belsterling, I. G. Bentley, E. H. Berg, D. H. Berry, A. E. Bocher, R. F. Bohman, Isaac Born, G. F. Boyle, Freeman Bradford, H. R. Brashear, A. H. Brown, J. E. Bryan, W. C. Bulette, J. S. Burchmore, W. G. Burnette, F. W. Burton, E. P. Byars, F. A. Cameron, K. S. Carberry, C. E. Childe, C. A. Clymp, G. C. Cochran, H. J. Conley, C. S. Connolly, P. D. Cook, A. B. Costello, W. S. Creighton, G. M. Cummins, C. R. Cunningham, G. H. Cunningham, E. P. Daspit, L. F. Daspit, J. M. Davison, J. R. Davy, W. H. Day, Allen Dean, F. L. DeGroat, C. L. Denk, Jr., E. S. DePass, M. L. Dickerson, F. A. Doebber, Charles Donley, J. H. Donnell, J. F. Dougherty, T. A. Durrant, W. M. Dyer, H. C. Eargle, C. J. Edelmann, C. E. Elerick, R. A. Ellison, M. M. Emmert, H. R. Fritz, C. L. Fenstermaker, A. H. Ferguson, H. J.

Fernandez, R. L. Flynn, H. E. Foley, S. L. Foote, N. W. Ford, C. E. Fowler, A. W. Fox, H. M. Frazer, W. E. Gayle, H. W. Gehrke, Carl Giessow, Earl Girard, W. W. Glenn, L. A. Gossage, T. E. Grady, William Graf, A. O. Graves, H. A. Gray, P. F. Guerke, W. A. Gunn, G. E. Griffith, G. O. Griffith, J. R. Hafstrom, J. J. Hailey, H. V. Haley, H. M. Hancock, C. V. Hanlon, C. A. Hansen, C. J. Harriss, E. L. Hart, E. T. Hayes, J. P. Haynes, E. D. Hedstrom, C. O. Heinley, R. J. Hendersons T. M. Henderson, W. H. Hendling, C. C. Hibbard, J. K. Hiltner, E. M. Hinkle, J. J. Hoban, H. A. Hollopeter, L. A. Howe, A. E. Hueneryager, H. G. Huhn, H. Ignatius, J. C. Iselin, P. T. Jackson, J. A. Jacobson, C. E. Jones, Elmer Jones, J. B. Jones, W. R. Johnson, F. F. Kator, H. G. Kazanjean, R. K. Keax, F. A. Keiser, F. W. Kemp, W. H. Kimball, L. O. Kimberly, Jr., H. C. King, Donald Kirkpatrick, W. W. Klingensmith, H. F. Klocker, H. E. Kokjer, H. L. Krogman, Leslie LaCroix, Wilbur LaRoe, Jr., R. J. Laubenstein, C. D. Lavlin, E. F. Ledwidge, G. M. Leedom, H. D. Lorance, J. W. Lowry, L. E. Luth, T. F. Lynch, R. A. McCaffrey, Parker McCollester, B. J. McHugh, E. B. McKinney, J. V. McMahon, M. J. McMahon, H. B. McNeely, G. E. Mace, T. W. Mackey, J. C. Magness, H. E. Manghum, J. G. Mann, H. A. Manning, G. E. Martin, T. C. Maurer, Ralph Merriam, R. I. Miles, C. A. Mitchell, E. A. Momberger, L. F. Mongeon, A. G. T. Moore, K. A. Moore, D. O. Moore, F. G. Moore, W. A. Moore, R. A. Morin, R. L. Murphy, H. D. Musick, P. J. Naughton, C. A. New, G. A. Nimmo, J. H. Noble, F. E. Norton, O. W. O'Berg, L. M. O'Leary, M. J. O'Mahoney, G. W. Orewiler, L. F. Orr, W. H. Ott, Jr., W. A. Palmen, F. L. Partridge, G. A. Pendleton, M. D. Perry, W. J. Petersen, M. L. Pieper, C. G. Plowman, P. H. Porter, R. A. Potter, F. E. Potts, A. B. Pratt, I. W. Preetorius, J. H. Ranney, A. A. Raphael, H. T. Ratliff, C. F. Real, B. E. Reed, F. M. Renshaw, A. J. Ribe, W. E. Rosenbaum, W. W. Rouse, F. L. Ruland, J. C. Ryan, R. D. Rynder, V. Schaffenburg, H. J. Schroeder, R. L. Schulz, Ted Schwachhofer, L. A. Schwartz, A. H. Schwietert, W. R. Scott, C. R. Seal, G. H. Shafer, O. J. Shafer, L. M. Shepardson, B. C. Sheron, T. J. Slattery, C. R. Smith, R. H. Smith, G. M. Springer, Jr., E. F. Stecher, H. G. Stern, H. F. Sundberg, G. F. Talley, E. R. Tanner, J. H. Tedrow, C. B. Tefft, R. H. Thompson, E. H. Thornton, T. W. Titsworth, F. B. Townsend, W. A. Vahle, Edwin Vail, Harry Van Antwerp, A. F. Versen, H. F. C. Wade, W. H. Wagner, S. T. Watkins, O. H. Weaver, W. M. Wharton, C. E. Widell, R. B. Willard, N. E. Williams, S. H. Williams, W. J. Williamson, E. B. Wilson, E. D. Wood, and *W. M. Wood* for other shipper interests.

J. R. Turney, A. L. Reed, C. E. Cotterill, C. H. Anderson, F. P. Aughnay, C. E. Bellew, Ferdinand Born, G. M. Brewer, J. A. Con-

nors, K. G. Foster, Jr., L. E. Golden, J. D. Hughett, C. F. Jackson, B. W. LaTourette, Donald MacLeay, C. G. Moore, C. R. Morrow, G. D. Rives, H. M. Sell, F. F. Shields, George Shuler, Jr., W. R. Staggs, D. C. Stone, D. T. Waring, and *Edgar Watkins, Jr.,* for motor carriers and their associations.

B. L. Smelker for Interstate Commerce Commission.

Report of the Commission

By the Commission:

We have had the benefit of oral argument. Statements of matters of fact in this report are to be considered as findings by us, except when it is clear that we are merely reciting issues raised or contentions made by the parties, or are summarizing evidence adduced.

Two proceedings, allied, and heard and submitted together, are embraced in this report. Both are investigations on our own motion instituted by our orders of July 29, 1939, as modified August 1, 1940. No. 28310 is an investigation of the lawfulness of the description of articles, carload minimum weights, and ratings provided in the consolidated freight classification, containing the ratings on articles so described in official, Illinois, southern, and western classifications, applicable to the transportation of property in interstate or foreign commerce by common carriers by railroad or water, or partly by railroad and partly by water, subject to the Interstate Commerce Act. Its territorial scope is the entire United States. All common carriers engaged in the transportation described above were made respondents.

Docket No. 28300, Class Rate Investigation, 1939, concerns the lawfulness of interstate class rates,[1] all-rail, all-water, and rail-and-water, applicable in the United States generally, except in mountain-Pacific territory and between that territory and the remainder of the country. As modified by order of August 1, 1940, it includes all rates determined by ratings in the four classifications named above, irrespective or whether the ratings are stated under the regular numbered or lettered classes or as percentages of first class, but none other. It does not embrace exceptions to the classifications.

The two complementary related investigations were heard simultaneously before division 2 of the Commission, to which the proceedings were assigned for administrative handling, at St. Louis, Mo., on July 10 and 11, 1941, Indianapolis, Ind., September 22 to October 1, 1942, Columbus, Ohio, November 16 to 27, 1942, and Washington, D. C., March 29 to April 1, 1943. All the States were notified of the pendency of the proceeding. In accordance with section 13 (3) of

[1] Rates are stated in this report in cents per 100 pounds.

the act, we sought the cooperation of the State commissions. Their committee, consisting of Commissioners McConnaughey of Ohio, Scott of South Carolina, and Murphy of South Dakota, sat with division 2 througout the St. Louis, Indianapolis, and Columbus hearings, and the two commissioners first named with Commissioner Doherty of South Dakota sat with the division at the Washington hearing and with us at the oral argument, which was held at Washington, June 14 to 23, inclusive, 1944. A very large number of briefs were submitted. A proposed report in No. 28310 was served upon the parties. Numerous exceptions and replies filed have been considered. No proposed report was served in No. 28300.

Because of the magnitude and complexity of the issues in these proceedings, certain steps preliminary to the commencement of hearings were taken by division 2. On January 9, 1940, a notice was issued to the parties and to the public, stating the broad objectives of the investigations, listing some, but not all, subjects to be explored, and suggesting the assembling and compiling of data pertinent to the issues. Among the subjects named for consideration was whether the establishment throughout the United States of a rail and water freight classification, simplified and uniform, or more nearly uniform when compared with the existing classifications, would be lawful and practicable. The notice was accompanied by an order in both proceedings requiring respondents to compile and furnish information concerning traffic moved on specified days in 1939, and an order in docket No. 28310 requiring respondents to compile and furnish specified information relating to the classification of freight. These orders were subsequently vacated, the latter because respondents agreed to furnish the information required without an order, and the former because of the difficulty under conditions then existing owing to the national emergency, and the expense and delay in obtaining and compiling the information sought. The public was informed that certain studies to be prepared by our staff would be offered in evidence at subsequent hearings by qualified witnesses.

A prehearing conference, attended by upwards of 400 persons, was held in Chicago, Ill., on October 28 and 29, 1940. The purpose thereof was to develop more clearly the matters in issue, the particular phases of the general subjects designated in the orders of investigation to be first explored, and to give direction to the studies and research of the interested parties. All persons attending were afforded an opportunity to be heard and to discuss the matters considered. The general opinion of the conference was that the order requiring the compilation of traffic data should be rescinded, and, as stated, that was done by order of November 25, 1940.

Certain studies prepared by our staff were made available to the parties and the public prior to and during the course of the hearings, and were received in evidence.

Numerous petitions were filed by respondents and other interests seeking the discontinuance or indefinite postponement of these proceedings until after the emergency caused by the war. They were all denied. The State of Ohio moved that those petitions be reconsidered and sustained; and the Wisconsin commission and Wisconsin Manufacturers' Association referred to their concurrence in the petitions and reiterated their opinion that the investigations should be discontinued or postponed until after the war. The motion is overruled.

We will report first upon the issues raised with respect to classification in No. 28310, although it is impossible to consider such issues as wholly distinct from intermingled issues raised in the related class rate proceeding, No. 28300. The following, therefore, will constitute Part I of the general report in both proceedings.

PART I

CLASSIFICATION OF FREIGHT

Each of the three major classifications, official, southern, and western, has both intraterritorial and interterritorial application. They contain rules and other provisions relevant to traffic generally, and set forth the ratings for ascertainment of class rates, wherever such traffic and rates are made subject to the respective classifications by specific reference thereto in the rate tariffs. Usually the tariffs are subject also to publications, entitled exceptions to a particular classification, which contain rules, provisions, and ratings more liberal to shippers than, and take precedence over, the classification. Many of them apply throughout an entire classification territory. In addition, there are often commodity rates that take precedence over both the classifications and exceptions as to particular articles.

Illinois classification is used in the border area between official and western classification territories. It has rather limited interstate application and none as to interterritorial traffic. At present it governs, besides Illinois intrastate traffic, the class rates between Illinois and points in the Indiana portion of the Chicago switching district, and traffic between Illinois points traversing routes partly in Indiana on which it authorizes charges over intrastate routes between the same Illinois points lower than what the corresponding charges would be at interstate rates governed by official classification.

Intraterritorial application.—The boundaries of the territories within which the respective classifications have intraterritorial appli-

cation are roughly sketched on the map of the United States, appendix 1 to this report.

Official classification applies between all points in the part of the country known as official territory, which may be described as lying generally east of the following line: Lake Michigan, including west-bank car-ferry ports on official-territory traffic, south to Milwaukee, Wis., thence the line of the Chicago, Milwaukee, St. Paul & Pacific Railway (the Milwaukee) to Rugby Junction, Wis., thence the line of the Minneapolis, St. Paul & Sault Ste. Marie Railway to Duplainville, Wis., thence the line of the Milwaukee through Watertown to Madison, Wis., thence the line of the Chicago & North Western Railway to Dodgeville, Wis., thence the line of the Illinois Central Railroad to the Illinois State line and west along the latter to the Mississippi River, thence south along that river, including west-bank crossing points on official-territory traffic, to the Ohio River; and lying generally north of the following line: The Ohio River east from its mouth, including south-bank crossing points on official-territory traffic, to Cincinnati, Ohio, thence east on the line of the Chesapeake & Ohio Railway to Kenova, W. Va., thence on the main line of the Norfolk & Western Railway to its crossing with the line of the Virginian Railway west of Roanoke, Va., thence on the Virginian Railway to Suffolk, Va., thence on the main line of the Norfolk & Western to Norfolk, Va., including also all lines of the Chesapeake & Ohio Railway in Kentucky and all lines of the Norfolk & Western Railway except those extending south from Roanoke, Va., to Winston-Salem, N. C., and from Brookneal, Va., to Durham, N. C. This territory, sometimes referred to as official-Illinois territories, embraces New England, trunk-line, central, and Illinois traffic territories, and comprises roughly 14 percent of the land area of continental United States, excluding Alaska, which may for brevity be termed "the country."

Southern classification applies between all points in the part of the United States, called southern territory, which contains about 13 percent of the country's land area, lying south of official territory and east of the Mississippi River, including north-bank Ohio River and west-bank Mississippi River crossing points on southern territory traffic.

Western classification applies between all points in the part of the United States, termed western territory, lying west of official and southern territories, including east-bank Mississippi River points on western territory traffic. It encompasses western trunk-line, southwestern, and mountain-Pacific rate territories, and approximately 73 percent of the land area of the country.

Interterritorial application.—In the several comprehensive class-rate investigations made over a number of years, we have prescribed

which of the classifications should govern the interterritorial rates required between the rate territories lying roughly east of the Rocky Mountains, and, on complaints, to some extent from west thereof. However, long before those proceedings the carriers of necessity had subjected to one or the other classification the many interterritorial single-factor rates they had voluntarily established. Without attempting the detailing of extraordinary situations, the present interterritorial applications of the classifications are in general as follows, which applications are graphically portrayed on appendix 1 to this report:

Official classification governs class rates from western trunk-line territory, including the Northwest,[2] Wyoming, Utah common points, and intermediate Utah stations east of those points, to official territory east of Illinois; from official territory east of Illinois to the Northwest; and between official territory and certain points on the Chesapeake & Ohio and Norfolk & Western railways in northeastern Kentucky and southwestern Virginia.

Southern classification governs class rates between official territory, including west-bank Lake Michigan ports, and southern territory, except as to the Kentucky and Virginia points noted above in connection with official classification; and from western trunk-line territory, including the Northwest and southern Missouri, to southern territory.

Western classification governs all through class rates between mountain-Pacific territory, including transcontinental traffic, and official and southern territories, except from Wyoming and Utah as stated above in discussing official classification; from official territory to western trunk-line territory, except the Northwest; between southern Missouri and official territory; from southern territory to western trunk-line territory, including the Northwest and southern Missouri; from western trunk-line territory to Illinois territory, which comprises Illinois and southeastern Wisconsin embraced in official territory; and between southwestern territory and official and southern territories.

Owing to the differences, often substantial, measured by relations to corresponding first-class rates in the particular territories, caused by the varying ratings in the respective classifications, difficult situations occur from subjecting interterritorial class rates to a classification other than that applicable within one of the territories involved. Sometimes a classification determines the rates applying over direct routes passing through all three classification territories, adding to the difficulties. Where a classification has been prescribed on the destination-territory

[2] The term "Northwest" is the designation used herein for that part of western trunk-line territory on and east of the Northern Pacific Railway from Duluth to Hinckley, Minn., thence the Great Northern Railway to Twin Cities, Minn., thence east of the Mississippi River but including west-bank crossing points. It thus includes a narrow strip of Minnesota, Wisconsin except a part in Illinois territory, and the Upper Peninsula of Michigan.

principle later described, different rates result in opposite directions between the same points, and over the same routes, on classes that do not bear like percentage relations to the corresponding first-class rates in the two territories concerned.

EFFORTS TO PROMOTE UNIFICATION OF CLASSIFICATIONS

Beginning with the year 1887, and continuing to the present time, we have endeavored to promote the unification of freight classifications throughout the United States. Efforts during the first 25 years are narrated in some detail in *Western Classification Case* (1912), 25 I. C. C. 442, 459. In that report we spoke of the multiplicity of varying classifications then prevailing, and condemned them as a public evil that caused confusion and constant embarrassment in the interchange of freight between railroads. As there stated, we, in our first annual report (1887) to the Congress, commended the work of the railroads in reducing the great number of classifications then in effect,[3] characterizing it to be "extremely important and useful," but emphasized the necessity of a single classification for the entire country. The importance and practical necessity of uniformity were reiterated in succeeding annual reports. The desirability of a uniform classification has been urged repeatedly by State railroad commissioners at their annual conventions, by shippers' organizations, and by some railroad officials. Always we have been concerned with the just complaints from shippers against disadvantages they suffered because of inconsistencies and divergencies in classifications.

Although we insistently pressed and encouraged unification in every way possible, and made suggestions toward that end, throughout the years reviewed in the above report (25 I. C. C. 442), we adhered to the opinion that the actual work of unification could be undertaken best by the carriers themselves. We recognized fully the great difficulties to be overcome, but declared that they are not insurmountable to carriers' specialists of long experience in work of this sort, and that unification is practicable. Cognizance was taken of the obvious fact that the merging of ratings would necessitate mutual concessions from shippers and carriers, in that the effect must be to lower the ratings on some articles of commerce, and to increase them upon others. Opposition was expected from interests that would be unfavorably affected.

Continuing in *Western Classification Case, supra*, we said that during the years prior to 1888 "the movement toward uniformity seemed to

[3] Individual railroads would have two or more classifications in effect: One for local traffic in one direction, one for through traffic in one direction and another for that in the opposite direction, and a fourth, perhaps, for traffic from or to a particular section of the country. One railroad had nine different classifications in effect in 1883 for traffic originating on its line.

give promise for the establishment of a single classification for the entire country"; but that in the fifth annual report (1891) we recorded the failure of the carriers to adopt the uniform classification proposed by their committee in 1890, and recommended to the Congress the passage of an act "requiring the adoption within one year from the date of its passage of a uniform classification of freight by the carriers subject to the act."[4] Much additional history was recited, embracing pertinent quotations from a number of annual reports, detailing our persistent endeavor to promote uniformity.

Until the *Consolidated Classification Case* (1919), 54 I. C. C. 1, official, southern, and western classifications were published as separate issues, each with its individual set of rules, descriptions of articles, and ratings. In that report we again adverted to our annual reports to the Congress mentioning our efforts to stimulate the work in the direction of greater uniformity in freight classifications. In view of the progress made, it had been apparent early in 1918 that a complete unification of the rules and descriptions of articles in the three major classifications was possible at a not distant date, and we "inquired of the carriers why they could not by January 1, 1919, or sooner, effect a consolidation of the three general classifications into one volume containing one set of uniform commodity descriptions with three rating columns, one for each territory, subtended, and with one set of rules."

This occurred during World War I and the period of Federal control of the principal railroad lines of the country by the United States Railroad Administration, whose director of traffic appointed a small committee, of which our classification agent became a member, to carry out the work. That committee submitted a "Proposed Consolidated Freight Classification No. 1" in one volume, which accomplished the consolidation and uniformity to the extent suggested by us, and in addition contained many proposed changes in the ratings. Upon request of the Director General of Railroads for recommendations as to the advisability of adopting the proposed classification for application by the carriers under Federal control, *Consolidated Classification Case*, *supra*, was instituted to inquire into the reasonableness and propriety of that classification, and all carriers subject to the act, not under Federal control, were made respondents.

We said in the report last cited, on page 3:

> The consolidated classification is the result of effort toward uniformity extending over a long term of years, and since uniform rules and descriptions are necessary before uniformity in ratings is possible, it marks an important step toward a uniform classification.

[4] That recommendation, repeated in subsequent annual reports, was not adopted. Amendments of the act, sections 1 and 15, June 18, 1910, first inserted in terms a requirement for the maintenance of lawful classifications of freight by the carriers.

With regard to the ratings in the proposed classification we said, page 4:

> There was no concerted effort [by the carriers' committee] to make the ratings uniform, but the desirability of uniformity seems to have been kept in mind, * * *.

At page 9 we stated:

> The fact that a uniform classification would be a convenience is a consideration of relatively minor importance; we have advocated uniformity because it is an essential part of the general scheme which contemplates greater consistency in rate making and elimination of discriminations and inequalities. * * * In large part different ratings in the three territories are not due to actual or substantial differences in circumstances and conditions, but are the result of mere differences of opinion and the natural inclination of traffic officials to give expression to their respective theories of classification.

Although no recommendation was made regarding ratings, we tentatively suggested a 10 class (for first class and lower) classification for the entire country, and the percentage relations for the 10 numbered classes in rate scales.[5] The opinion was expressed, at page 11, that "an absolutely uniform classification could be prepared and proposed only in connection with a universal system of rate scales having a uniform number of classes."

The general conclusions reached in that proceeding, page 71, were that:

> So far as rules, descriptions, packing specifications, and [carload] minimum and estimated weights are concerned, and subject to the modifications thereof indicated in this report, we recommend the adoption of the consolidated classification for application in lieu of the present official, southern, and western classifications by carriers under federal control. We do not recommend any changed ratings except as the establishment of new items may indirectly effect changes, and such as may be a reasonably necessary part of the establishment of uniform descriptions, specifications, or minimum weights.
>
> The same rules, descriptions, packing specifications, and minimum and estimated weights subject to the same modifications and limitations are, tentatively, and without prejudice, found just and reasonable for carriers not under federal control.

The new consolidated classification, conforming generally to our recommendations, was published by the carriers and became effective December 30, 1919.

Uniformity was also recommended by us to the Director General of Railroads, responsive to his request for advice, in *Illinois Classification* (1919), 55 I. C. C. 290, as to the rules, and items of description of articles, packing specifications, and carload minimum and estimated

[5] The classes and percentages tentatively suggested were as follows:

Classes	1	2	3	4	5	6	7	8	9	10
Percentages	100	85	70	60	45	35	30	25	22½	20

weights, of the Illinois classification [6] to correspond with those approved, as modified, in *Consolidated Classification Case, supra.* After conferences between the shippers and carriers, in which we and the Public Utilities Commission of Illinois participated, the separately published Illinois classification was revised, not only as to the rules and article descriptive items along the line of the consolidated classification, but also as to ratings. In most instances, the same ratings as in official classification were established, except when the competition encountered by the Illinois shippers came from western territory, in which event the western classification rating was adopted. (Thirty-fourth annual report of the Commission, 1920, page 40.) The Illinois classification was merged in the consolidated classification, effective November 15, 1933.

In annual reports to the Congress subsequent to the establishment of the consolidated classification we frequently commented upon the matter of uniformity, sometimes commending the carriers for the progress made, often giving the number of changes and occasionally specifying the degree of uniformity accomplished [7] and sometimes remarking that the progress has been slow, but always indicating our desire for completion of the task within a reasonable time. The showing of official, southern, and western classification ratings in parallel columns of the consolidated classification was noted as serving in striking fashion to bring inconsistencies to the attention of shippers and carriers, and as being a strong influence toward uniformity.

Once we suggested to carriers the advisability of proceeding more slowly just at that time with respect to unifying ratings that would cause large rate increases, because of the coinciding general increase of 1920 in rate levels by substantial percentages, but said that any changes made should be toward uniformity. Carriers heeded the suggestion. After the general rate reduction of 1922, we remarked upon the accelerated pace in unifying ratings, even though some changes meant only the merging of ratings as to two of the classifications. Also in the 1923 annual report we spoke approvingly of the establishment of less-than-carload and carload ratings in lieu of any-quantity ratings, especially in southern classification, which was characterized as having been an any-quantity classification in the past.

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[6] The Illinois classification governed tariffs making reference thereto, and at that time applied generally to traffic between points in Illinois, and between Illinois and points on west bank of the Mississippi River in Iowa and Missouri, in southeastern Wisconsin, and in Indiana on interstate routes between Illinois stations.

[7] Unification achieved of any-quantity and less-than-carload ratings combined in the three classifications, beginning with the establishment of the consolidated classification in 1919, was given in the fifty-first annual report (1937) as follows: Year 1919, 31.3 percent; 1922, 39.01 percent; 1927, 42.0 percent; 1932, 59.13 percent; and 1937, 86.0 percent. Nonuniformity of such ratings as to all three classifications was 14.7, 12.05, 11.0, 6.15, and 2.2 percent, respectively. The percentage last stated represented only 204 of the 9,251 ratings.

Reference was made in the thirty-ninth annual report (1925) to the prescription for the first time of uniform percentage relations for the former 10 classes, and the 2 additional classes created by us, in *Southern Class Rate Investigation* (1925), 100 I. C. C. 513, for class rates applicable throughout southern territory and between that and official territory. In the forty-first annual report (1927) reference was made to the fact that similar action had been taken in *Consolidated Southwestern Cases* (1927), 123 I. C. C. 203, as to the usual 10 classes, governed by western classification, prescribed for application throughout southwestern territory and between that and the territories north and east thereof extending to the entire Atlantic seaboard. The percentages prescribed for the upper classes in the latter proceeding were the same as those in the former, permitting unification of ratings in western and southern classifications, particularly for less than carloads, and correction of numerous cases of undue prejudice and preference on traffic between the South and Southwest or in either of the competitive channels on the east and west banks of the Mississippi River, which divides those territories; but the issues in the latter proceeding, and the difference in the number of classes, prevented uniform percentage relations for the lower classes.

In our forty-third annual report (1929) we mentioned pending complaints from North Carolina and Kentucky as to interterritorial rates, due to the location of those States immediately south of official territory where a classification prevailed differing radically from that in southern territory. The opinion was expressed that the comprehensive class-rate revisions in various parts of the country in process then and in the preceding few years would improve the situation, "but eventually it may be necessary to give it further attention and to consider even the advisability of bringing about substantially complete uniformity in classification throughout the country."

The filing of tariffs, effective December 3, 1931, pursuant to *Western Trunk Line Class Rates*, 164 I. C. C. 1, and *Eastern Class Rate Investigation*, 164 I. C. C., 314, was recorded in the forty-fifth annual report (1931). The former decision prescribed class rates within western trunk-line territory and between that and official territory, and the latter between all points within official territory including Illinois. It was stated in the annual report, page 66, that the rates prescribed for the various classes in official territory would, for the first time, bear a fixed relation to each other. It was further stated, at page 67, that:

> Further study of the subject of classification uniformity and the experience which we have gained in recent years in fixing class rates make it increasingly apparent that, while complete unification and merger of the Southern and Western Classifications is possible, such unification cannot be fully extended to embrace

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the Official Classification unless and until there is a closer alignment of the basic rate structures, as between official territory and the other sections of the country, than it has so far been found practicable to accomplish, although revisions heretofore required by us have been in that direction.

In many reports we have reiterated our stand for unification of ratings in the diverse classifications. Illustrative are decisions requiring revisions of class rates throughout extensive classification territories, adjoining others with greatly varying ratings, as well as class rates for interterritorial application, usually for the first time displacing former combinations containing, as factors, territorial rates subject to different classifications. In each proceeding it was necessary, of course, to decide upon a single classification to govern interterritorial through rates. This presented a difficult problem arising from the fact that whichever classification was prescribed would conflict sharply, or in some measure, with the classification applicable in one of the territories affected.

In one of these reports, *Southern Class Rate Investigation*, *supra*, after discussing difficulties in determining interterritorial rates, especially to and from border zones embracing North Carolina and Kentucky, it was stated, at page 667, that:

> until materially greater progress has been made towards harmonizing the radically different rates and classifications applied within official and southern territories, respectively, complications in the interterritorial adjustments will be inevitable.

In *Consolidated Southwestern Cases*, *supra*, where western classification was decided upon to govern class rates between the Southwest and western trunk-line, southern, and official territories, we said, at page 398:

> For years we have endeavored to promote uniformity in classifications. Except for unification of rules and commodity descriptions, the progress in that direction has not been encouraging. • • • So long as vital differences in classification exist it is impossible to bring about uniform class percentages throughout the country, but, on the other hand, until the class percentages are made more nearly uniform, progress toward uniform classification is impeded. We believe that in every such general proceeding as the present, such progress toward uniformity in this direction should be made as is possible.

In another proceeding of this character, *Western Trunk-Line Class Rates*, *supra*, it was declared, at page 217, that:

> This record further demonstrates the need for uniform classification ratings throughout the country. One of the beneficial results of these extensive investigations, in which joint interterritorial class rates governed by one classification are prescribed between major rate territories within each of which different classifications exist, should be the hastening of the much-desired uniformity of ratings.

Western classification had been prescribed in the original report in *Western Trunk Line Class Rates*, *supra*, to govern interterritorial class rates in both directions between western trunk-line and official territories. In the sixth supplemental report in that proceeding (1934), 204 I. C. C. 595, for the first time we found necessary the prescription of the governing classification according to the classification applicable in the destination territory, in order to remove relative unreasonableness and undue prejudice as to the east-bound rates generally, which thus became subject to official classification. It had been found that "Unquestionably the ratings in official are on the whole more favorable from the shippers' viewpoint than those in western." (See page 671.)

On reconsideration of the original report in *Western-Southern Class Rates* (1938), 226 I. C. C. 497, in which the destination-territory classification principle was adhered to for governing class rates between western trunk-line, including southern Missouri, and southern territories, we held in the second supplemental report (1939), 232 I. C. C. 81, that "Difficulties and inconsistencies in applying this finding such as respondents adduce will inhere in any interterritorial class-rate structure so long as the classification ratings are not uniform in the different territories."

Our efforts to bring about unification were instrumental in obtaining the unification of the rules and description of articles. In later years the necessary prescription of single classifications to govern the interterritorial through class rates, required in the comprehensive proceedings cited above, has been a compelling force in bringing about the present comparatively high degree of uniformity of ratings in the three classifications, or at least merging in two of the three.

ANALYSIS OF CONSOLIDATED CLASSIFICATION

The consolidated freight classification comprises official, Illinois, southern, and western classifications, which govern tariffs making reference to them. It contains descriptions of all articles of commerce, including kind of shipping container or nature of packages contemplated by the ratings, and rules and packing descriptions, that are uniform in all the classifications. Opposite the descriptions of articles are shown in three parallel columns the less-than-carload ratings, carload minimum weights or indication of any-quantity, and carload ratings, respectively. Where specified as "AQ", or any quantity, the rating is duplicated in the two rating columns. Where the rating is uniform in all classifications, a single figure appears in the respective rating column; otherwise three ratings are set forth for official, including Illinois, southern, and western classifications, respectively, unless the Illinois classification rating differs from that in offi-

cial, in which instance four ratings are stated, of which the second is for Illinois classification and the third and fourth for southern and western.[8] Numbers in rating columns higher than 12 (except R26, meaning rule 26, and rates stated in cents per car-mile on railway cars) represent percentages of class 100,[9] published in the class-rate tariffs. Ratings often vary on a given article for certain reasons, such as the manner of packing or whether the article is set up or knocked down. Many articles have more than one carload rating, depending upon different minimum weights. Numerous carload minima are subject to a rule (rule 34) requiring the computation of freight charges on a higher minimum when the car used exceeds the length specified for the minimum appearing opposite the article descriptive item. Practically all articles have both less-than-carload and carload ratings. In comparatively rare instances, one or all classifications will not provide ratings on articles, but will show that they are subject to the rates of individual carriers, or are not taken, or the rating is stated for one or two classifications only. As to one small category, railway cars moving on their own wheels, the classifications name rates in cents per car-mil instead of giving ratings.

Illinois classification ratings are the same as official on the bulk of the items. The remaining ratings are mostly the same as western, but sometimes the same as southern, and occasionally they are higher or lower than in either of the three major classifications. It is said that the rating on a given article published in Illinois classification is adopted from the classification applicable in the territory from which Illinois shippers encounter their principal competition. Discussion of Illinois classification in the same detail as regarding the other classifications seems unnecessary, inasmuch as the former now governs comparatively little interstate traffic, and whatever is said or done with respect to the others apparently will be pertinent to and dispose of this classification.

While each classification contains numerous ratings which are set forth in percentages of class 100, many being the same as those prescribed by us for so-called regular classes, the classifications do not specify any percentage relations for the regular numbered and lettered classes, but many tariffs do publish them. Such percentages were prescribed by us in the eastern revision for rates governed by official classification; in the southern revision for rates governed by southern classification, in the western trunk-line and southwestern revisions for rates governed by western classification, except in mountain-Pacific territory and on transcontinental traffic. As to mountain-Pacific ter-

[8] These single figures, or the figures for the respective classification where the ratings are different, will be sometimes termed "sets" in this report.

[9] Class 100 is the term generally used in this report for first class, as explained later.

ritory, although there are important exceptions, the percentages generally reflected in the class rates are those which appeared as the relations in the rates required in *Portland Chamber of Commerce* v. *Oregon R. & Nav. Co.* (1911), 21 I. C. C. 640. They were followed in subsequent reports involving rates in all parts of that territory, including *Utah Shippers Traffic Assn.* v. *Atchison, T. & S. F. Ry. Co.* (1931), 172 I. C. C. 306, 311, in which the class-rate scale was extended to 1,500 miles. No consistency exists in the relations between class rates applicable on transcontinental traffic, which are subject to western classification. Class rates governed by Illinois classification have percentage relations not prescribed by us.

Articles are classified in official, Illinois, southern, and western classifications, respectively, into 7, 12 (or 11 since classes 6 and C are same percentage of first class), 12, and 10 regular numbered or lettered classes. In addition, there are 7 classes, namely, 1¼, 1½, 1¾, 2, 2½, 3 and 4 times class 100 rates. The regular class designations and their percentage relations to class 100 reflected in the rates in tariffs applicable in the respective rate territories are stated in the following table:

Percent of class 100	Regular class designation				
				Western	
	Official	Illinois	Southern	Western trunk line and Southwestern territories	Mountain-Pacific territory
100	1	1	1	1	1
85	2	2	2	2	2
70	3	3	3	3	3
60					4
55	R26	R26	4	4	
50	4	4			5, A
45			5	A	
40		A	6		B
37½				5	
35	5	5	7		
33⅓		B		B	
30			8	C	C
27½	6	6, C			
25			9		D
23⅓		D	10	D	
20		E	11		E
17½			12	E	

[1] Formerly official classification provided rule 25 ratings, for which 70 percent of class 100 was prescribed in the eastern revision. It has been replaced by class 3 in the classification, although it may still appear in some tariffs.

Besides the classes described above, there are in official, southern, and western classifications, respectively, 16, 14, and 12 classes that are stated in percentages of class 100, of which 3, 5, and 3 classes are the same equivalents of class 100 rates as are certain regular classes in the particular classification. Only one of them, 1[illegible] percent, which provides a rating on one article descriptive item in less than

carloads, is above class 100 in each classification, and those below range from 77½ to 20 percent.

The total of all classes, namely, those above class 100, regular (numbered and lettered), and percentage, in official, southern, and western classifications, are 27, 28, and 26, respectively, counting as one equivalent regular and percentage classes; and the full range of all classes in each classification is from 17½ to 400, except that in official the lowest is class 20.

In order to avoid possible confusion and misunderstanding, all classes, however stated in the classifications, will be denoted generally in this report by percentages of class 100, and class 100 may be taken as equivalent to class 1 or first class, as those terms are used in the current classification. Unless otherwise indicated, the official, southern, and western class-rate percentages hereinafter mentioned will be understood to mean those prescribed in the eastern, southern, and western revisions, respectively.

The following facts are found from study of an exhaustive analysis in the record of the consolidated classification as in effect on August 3, 1942.

The sets of ratings on article descriptive items and subitems on which all, or at least one, of the three major classifications provide ratings aggregated 20,915, of which 83 were any-quantity (counting duplicate ratings in less than carloads and carload columns in the classification as one), 10,151 less-than-carload ratings, and 10,682 carload ratings (including 273 tank-car ratings). Of the aggregate, 4,077 ratings were stated as percentages of class 100 rates. The number of different kinds of combinations of ratings found in these sets, consisting of regular class and class-and-percentage ratings, both uniform and nonuniform, and appearing in the three classifications is 16 for any quantity, 80 for less than carloads, and 288 for carloads including tank-car ratings. In addition, there were 11 items of railway cars moving on their own wheels on which rates were named in cents per car-mile instead of ratings. Appendix 4 to this report sets forth the any-quantity and less-than-carload ratings as distributed among the classes in the respective classifications, and appendix 5 the carload ratings (including the tank-car ratings).

As would be expected, ratings in excess of class 100 are used almost entirely for any quantity and less than carloads. They account for approximately 16 percent of the former, somewhat less than 10 percent of the latter, and only about 0.23 percent of the carload ratings.

Omitting the article items and subitems on which any one of the three major classifications fails to provide a rating, the following table shows the degree of uniformity existing in ratings, and the

tent to which the ratings in two classifications are alike, or unlike any two:

	Any quantity		Less than carloads		Carloads		Grand totals	
	Number of ratings	Percent	Number of ratings	Percent	Number of ratings	Percent	Number of ratings	Percent
tals	80	100.00	10,134	100.00	10,664	100.00	20,878	100.00
iform in the 3 classifications	64	80.00	8,622	85.08	3,868	36.27	12,554	60.13
ke in—								
Official and southern	67	83.75	9,343	92.18	5,114	47.96	14,524	69.57
Official and western	76	95.00	8,876	87.59	4,522	42.40	13,474	64.53
Southern and western	64	80.00	8,822	87.05	6,320	59.27	15,206	72.83
like in any 2 classifications	1	1.25	337	3.32	2,444	22.92	2,782	13.33

Uniformity is greatest in the less-than-carload ratings, and least in e carload ratings. The percentages of unlikeness are extremely nall, except as to carloads. A slight retrogression occurred in the mbined any-quantity and less-than-carload ratings since 1937, at hich time our annual report stated the uniformity as 86 percent, hereas it is now 85 percent; and a progression of unlikeness from 2 percent to 3.3 percent. That report does not contain correspondg figures for carload ratings, which are now only 36 percent uniform nd 23 percent unlike in any two classifications.

On article descriptive items provided in each classification with tings, any-quantity ratings in the 3 classifications range from asses 50 to 300, less-than-carloads from classes 30 to 400, and carloads om classes 17½ to 200. Although these ranges embrace quite a mber of classes, including regular and percentage, the bulk of the ticle items are concentrated in comparatively few. The less-than-rload ratings in official and southern are distributed among 16 asses each, but 89.65 and 85.96 percent, respectively, of the items e in 5 classes (100, 85, 70, 55, and 50); while in western they are und in 12 classes, but 90.13 percent are in 4 classes (100, 85, 70, and 5). Carload ratings are more widely scattered, in official among 21 asses, but 72.82 percent of the items are in 5 classes (70, 55, 40, and 5), and 98.28 percent are in 10 classes (additions, 100, 85, 45, 37½, nd 27½); in southern, among 23 classes, but 74.34 percent of the ems are in 4 classes (70, 55, 45, and 40), and 91.45 percent are in 8 asses (additions, 100, 85, 35, and 30); and in western among 21 asses, but 81.52 percent of the items are in 4 classes (70, 55, 45, and 7½), and 95.45 percent are in 8 classes (additions, 100, 85, 32½, and 0).

Despite the relatively high degree of uniformity in any-quantity nd less-than-carload ratings, substantial disparities exist on indi

vidual article items as indicated in appendix 4 to this report. Thus, on certain items, on which the ratings are stated for any quantity, southern classification is never higher than either official or western, but has one rating of class 55 for which the two others name class 100, whereas official and western are alike in all but one such rating. As to less-than-carload, on items rated class 50 in official the ratings in southern range from classes 30 to 70, and in western from classes 55 to 85; on items rated class 70 in southern the ratings range from classes 50 to 100 in official, and from classes 55 to 85 in western; and on items rated class 55 in western the ratings range from classes 40 to 100 in official, and from classes 30 to 100 in southern.

Still greater variations, relatively, are presented in the carload ratings, set out in appendix 5, of which the following are examples; on items rated class 35 in official, the ratings in southern and western both range from classes 17½ to 55; on items rated class 40 in southern, the ratings in official range from classes 27½ to 70, and in western, from classes 17½ to 40; and on items rated class 45 in western, the ratings in official range from classes 27½ to 85, and in southern, from classes 30 to 55.

All proponents of a change from one classification to another advocated adoption of the official classification as the basis. That classification, from the shippers' standpoint, is regarded as more favorable than the two others on traffic that is moving under class rates. Mathematically, there is little difference on the whole, in that the weighted general averages of the percentage relations to class 100 of all ratings in the respective classifications fall within less than one percentage point, being 67.91, 67.82, and 68.70 percent for official, southern, and western. Broken down by character of ratings, official, southern, and western average percentages of class 100 are, respectively: Any quantity, 112.81, 108.69, and 112.81; less-than-carloads, 87.02, 85.95, and 87.21; and carloads, 49.40, 50.26, and 50.75.

The following table shows total ratings, grouped according to percentages in official classification, and the extent to which the corresponding ratings in southern and western classifications are like, or higher or lower than, those in official, as in effect August 3, 1942. As stated, distribution according to percentages of class 100 in southern and western classifications is shown in appendixes 4 and 5 to this report.

Official classification			Corresponding ratings in—					
Percentage of class 100	Ratings		Southern			Western		
	Kind [1]	Number	Alike	Higher	Lower	Alike	Higher	Lower
400	l. c. l.	2	2	0	0	2	0	0
300	aq.	6	6	0	0	6	0	0
	l. c. l.	16	16	0	0	16	0	0
250	aq.	1	1	0	0	1	0	0
	l. c. l.	21	21	0	0	21	0	0
	aq.	4	4	0	0	4	0	0
200	l. c. l.	356	356	0	0	356	0	0
	c. l.	5	3	0	2	3	0	2
175	l. c. l.	13	13	0	0	13	0	0
	aq.	2	2	0	0	2	0	0
150	l. c. l.	482	482	0	0	482	0	0
	c. l.	3	1	0	2	1	0	2
125	l. c. l.	99	99	0	0	99	0	0
	c. l.	19	18	0	1	18	0	1
110	l. c. l.	1	1	0	0	1	0	0
	aq.	34	31	0	3	33	0	1
100	l. c. l.	2,092	2,075	0	17	2,076	0	16
	c. l.	213	199	0	14	202	0	11
	aq.	15	13	0	2	15	0	0
85	l. c. l.	2,672	2,600	0	72	2,625	0	47
	c. l.	766	575	1	190	587	1	178
75	c. l.	2	2	0	0	2	0	0
	aq.	15	7	0	8	15	0	0
70	l. c. l.	2,716	2,390	0	326	2,571	0	145
	c. l.	1,433	1,330	1	102	1,381	1	51
65	c. l.	6	0	0	6	0	5	1
60	l. c. l.	14	0	2	12	0	4	10
	c. l.	3	1	0	2	1	0	2
57	l. c. l.	1	0	0	1	0	0	1
55	l. c. l.	616	565	3	48	613	3	0
	c. l.	1,270	1,183	19	68	1,198	19	53
	aq.	3	3	0	0	0	3	0
50	l. c. l.	995	682	13	300	0	995	0
	c. l.	1,185	93	812	280	57	999	129
45	c. l.	335	315	8	12	323	8	4
40	l. c. l.	33	33	0	0	0	33	0
37½	c. l.	1,105	809	292	4	32	990	83
35	c. l.	766	90	664	12	644	118	4
32½	c. l.	2,709	380	1,928	401	3	2,460	46
30	c. l.	7	5	0	2	6	0	1
27½	c. l.	89	72	13	4	50	33	6
25	c. l.	677	16	418	243	0	463	214
22½	c. l.	34	8	1	25	0	9	25
20	c. l.	20	14	0	6	14	0	6
	c. l.	1	1	0	0	0	1	0
Totals	a. q.	80	67	0	13	76	3	1
	l. c. l.	[2] 10,129	9,335	18	776	8,875	1,035	219
	c. l.	[2] 10,648	5,115	4,157	1,376	4,522	5,107	1,019
Percentages	a. q.	100.00	83.75	0.00	16.25	95.00	3.75	1.25
	l. c. l.	100.00	92.16	0.18	7.66	87.62	10.22	2.16
	c. l.	100.00	48.04	39.04	12.92	42.47	47.96	9.57

[1] Abbreviations: aq., any quantity; l. c. l., less than carload; c. l., carload.
[2] Here the total number of less-than-carload and carload ratings are 5 and 16, respectively, less than stated in the preceding table. Both tables were compiled from the same exhibit, but from different parts thereof.

Compared with official classification, no any-quantity rating in southern is higher, and in western only 3 are in higher; and those lower are 13 and 1, respectively. A similar situation exists as to less-than-carloads, where out of 10,129 ratings only 18 in southern, but 1,035 in western, are higher than in official, whereas 776 and 219, respectively, are lower. As to carloads, it is different in this regard, in that out of 10,648 ratings, 4,157 in southern and 5,107 in western are higher than in official, and 1,376 and 1,019, respectively, are lower.

Many incongruities apear among the ratings. Thus, out of more

than 10,000 sets of less-than-carload ratings, 1 item is rated in the 3 classifications class 110, which is not a regular class; 13 items are rated in official class 60, not a regular class, but are assigned to either regular classes 70 or 55 in southern and western; and a single item is rated class 57 in official, which is not a regular class and only 2 percentage points above class 55 wherein it is placed in southern and western. As to carloads, many item ratings in each classification are not regular. For example, official has 2 in class 75, 6 in class 65, 3 in class 60, 7 in class 32½, and 1 in class 20; southern has 24 in class 77½, 4 in class 75, 11 in class 65, and 6 in class 60; and western has 24 in class 77½, 2 in class 75, 11 in class 65, 1 in class 60, 1 in class 42½, and 8 in class 35. Few of the more than 10,000 carload items are assigned in southern classification to regular classes 25, 20, and 17½,[10] or 48, 37, and 86 ratings, respectively.

There is no consistency in the assignment of ratings on the same article as between less-than-carloads and carloads. A few examples of the inconsistencies are: On an article descriptive item one classification will provide the same rating for less-than-carloads as for carloads, but in the others the rating for the former is higher than the latter; the same uniform rating in the three classifications will be shown for both less-than-carloads and carloads, and a carload minimum weight will be specified which, in effect, results in any-quantity ratings, but the ratings are not listed as any quantity; and a uniform carload rating and minimum weight will be stated for a number of items, indicating to some extent similar transportation characteristics of the articles embraced, but the variations in less-than-carload ratings are, for example, from class 55 to class 100, and from class 70 to class 250. Although the less-than-carload and carload ratings are the same on many items, on the great majority of them the former are higher than the latter, and often extremely wide spreads occur, counting regular ratings. For example, in southern and western classifications the spreads are from class 17½ to class 100, or of 11 and 9 classes, respectively, meaning that the less-than-carload ratings are 471 percent higher than carload ratings. If grouped according to number of classes represented by the spreads, probably the largest group would be that of spreads of 2 regular classes.

RATE EFFECT OF CLASSIFICATION DIFFERENCES

In our report in *Eastern Class-Rate Investigation*, *supra*, at pages 372–373, we undertook as a part of the comprehensive revision of class rates there made, to "introduce a proper degree of flexibility into the

[10] In the southern revision we prescribed these for regular classes 9, 11, and 13, respectively.

tructure" of the class-rate tariffs. After discussing efforts to obtain his result in other proceedings, and the utility of a greater number f percentage columns related to first-class rates (and thereby auto-atically related to all the classification ratings) we made a finding s to the percentage relations of the columns of rates to the first-class ates. As amended in our supplemental report in that proceeding, 71 I. C. C. 481, 499, the finding reads as follows:

1. We find that for the future the class rate tariffs in official territory should ntain columns of rates bearing the following percentage relations to the first ass rates prescribed in this proceeding: 100, 92.5, 85, 77.5, 70, 65, 60, 55, 50, 40, 37.5, 35, 32.5, 30, 27.5, 25, 22.5, 20, 17.5, 16, 14.5, 13.

xamination of the comparative table which appears above shows at only to a slight extent have these percentages (other than those ed for the so-called regular classes) been carried into the several assifications before use for the purpose of providing classification tings additional to those of the regular classes. Flexibility, when nsidered necessary, has all but invariably been accomplished by aking an exception to the classification and thus removing the com-odity from the classification, rather than by giving it a rating stated percentage of first class. This is so, although the feasibility of aking use of such intermediate percentages is evident from the fact at they have been so used, but not enough to avoid the whittling vay of the classification by the process of making exceptions thereto. he table shows that some of the percentage relations have not been ed in the official classification at all; if those percentages are used r the statement of rates, it is by the device of removing the com-odity *pro tanto* from the classification and assigning it a rate in special tariff.

Although the proceeding in No. 28310 brings in issue only the ssifications, discussion of the differences as between them in ratings uld be purely academic without indicating in some degree the ef-t they have upon the rates in the various territories. A rating ust be complemented by a class rate, and vice versa, in order to give bstance to either. Therefore, for the purpose of conveying some a of the effect that the classification differences have upon rates escribed in territories embraced in docket No. 28300, appendixes nd 3 to this report have been compiled, in which the rates for a gle distance are stated. The appendixes do not purport to show average territorial rate levels, because the progressions with dis-ce in the scales in official, southern, and western territories differ some extent one from another, producing relations between the ritories varying with distance; and rate levels in certain parts of territories, such as in New England and the Florida peninsula, higher than in the major portions of the territories.

Appendixes 2 and 3, respectively, cover less than carload and carload ratings and rates, and each contains tables numbered I, II, and III, which deal with official versus southern, official versus western, and southern versus western classification ratings and intraterritorial rates. The ratings are those in effect August 3, 1942, except that southern versus western ratings as effective March 17, 1942, are used because August 3 data therefor are lacking.

Inasmuch as a high degree of uniformity already exists in the ratings above class 100, the comparisons in appendixes 2 and 3 are with class 100 and below, confined to the classes representing a substantial number of ratings. Article descriptive items covered are those provided with less-than-carload or carload ratings in each of the three classifications.

The class rates appearing in these appendixes are taken from the distance scales prescribed in the eastern, southern, and western revisions, subjected to the 10-percent general increase of 1938. Rates for 200 miles, the approximate average haul of revenue freight by class I railroads per line of railroad are used, although the average haul per shipment is longer, especially if heavy moving short-haul traffic that moves on commodity or exception rates is excluded. As representative of western territory, the rates for western trunk-line zone I are shown. The corresponding rates for zones II and III are higher by averages of about 14 and 25 percent, respectively. The latter scale was prescribed also for southwestern territory.

As will be observed from appendixes 2 and 3, the article ratings of a particular class in a given classification are found for the most part in the same class, or fairly close thereto, in the other classifications, and the remainder are distributed or scattered widely among other classes. But even where the ratings are the same, the rate effect differs substantially because of the variances in territorial rate levels.

Thus, the 616 articles rated class 55 in less than carloads in official classification, which move at a rate of 44 cents for 200 miles in official territory, are rated from classes 40 to 85 in southern classification on which the rates for 200 miles are from 45 to 95 cents in southern territory; 565 of the articles are, however, in class 55 in southern classification with rate of 62 cents. The same articles are rated from classes 55 to 85 in western classification, on which the rates for 200 miles in western trunk-line zone I range from 53 to 82 cents; 613 of the articles are, however, in class 55, with a rate of 53 cents for 200 miles.

The most important carload class in official territory is class 35, comprising 2,709 article ratings, on which the rate for 200 miles is 28 cents. Those articles are rated from classes 17½ to 55 in southern classification, and the rates thereon vary from 20 to 62 cents in southern

erritory, but 1,646 ratings are in class 40 with a 45-cent rate. In estern classification, the carload ratings on such articles extend from lasses 17½ to 55, on which rates in zone I range from 17 to 53 cents, ith 2,115 of the ratings in class 37½, rate 36 cents.

Comparisons of mountain-Pacific with official and southern territories, of the same nature as those in appendixes 2 and 3, would have ttle significance because the territories are not contiguous. A better ne is with the bordering western trunk-line zone III and southwestern erritory, in both of which zone III scale applies, and which bears relaons to the rates in zone I which are stated in appendixes 2 and 3. While one classification governs in these western territories and beveen them, as stated the relations of the rates to class 100 of the regur 10 classes in mountain-Pacific territory are not the same as in the hers on classes below class 70.

Because the progression with distance of the maximum rates in the ale prescribed in several proceedings from and to points in virtually ery part of mountain-Pacific territory differs materially from the rogressions in scales prescribed in the eastern, southern, and western visions, and the percentage relations between the regular classes also ffer (but ratings stated in percentages in western classification are e same in all western rate territories), rate comparisons for a single stance might tend to mislead. Therefore, in order to present some mparison, rates are set forth in the following tables that were prebed in the territories and zones named for distances of 50, 100, 200 mployed in appendixes 2 and 3), 400, and 800 miles, subjected to the -percent general increase of 1938. The first table shows the 10 asses in mountain-Pacific territory, their percentage relations to st class as prescribed, and rates for the specified distances.[11] The cond table shows the rates in the other territories and zones on pernages corresponding to those prescribed for regular classes in ountain-Pacific territory:

Mountain-Pacific territory

ses centages	1 100	2 85	3 70	4 60	5 50	A 50	B 40	C 30	D 25	E 20
s:										
50 miles	50	42	35	30	25	25	20	15	12	10
100 miles	77	66	54	46	39	39	31	23	20	15
200 miles	111	94	78	67	56	56	44	33	28	22
400 miles	171	145	120	103	86	86	68	51	43	34
800 miles	281	238	197	169	141	141	112	84	70	56

[11] At present in mountain-Pacific territory many class rates are lower than prescribed; l class 5 is often a lower percentage of class 100 than is class A, for both of which s reflecting 50 percent of first class were fixed.

Other territories and zones

Percentages	100	85	70	60	50	50	40	30	25	20
Western trunk-line zone III and southwestern territory										
50 miles	65	55	46	39	33	33	26	20	16	
100 miles	90	77	63	54	45	45	36	27	22	
200 miles	123	105	86	74	62	62	49	37	31	
400 miles	172	146	120	103	86	86	69	52	43	
800 miles	263	224	184	158	132	132	106	79	66	
Western trunk-line zone										
50 miles	53	45	37	32	27	27	21	16	13	
100 miles	73	62	51	44	37	37	29	22	18	
200 miles	97	82	68	58	49	49	39	29	24	
400 miles	136	116	95	82	68	68	54	41	34	
800 miles	210	179	147	126	105	105	84	63	53	
Official territory										
50 miles	47	40	33	28	24	24	19	14	12	
100 miles	62	53	43	37	31	31	25	19	16	
200 miles	80	68	56	48	40	40	32	24	20	
400 miles	109	93	76	65	55	55	44	33	27	
800 miles	160	136	112	96	80	80	64	48	40	
Southern territory										
50 miles	62	53	43	37	31	31	25	19	15	
100 miles	84	71	59	50	42	42	34	25	21	
200 miles	112	95	78	67	56	56	45	34	28	
400 miles	156	133	109	94	78	78	62	47	39	
800 miles	222	189	155	133	111	111	89	67	56	

Comparisons of similar character for interterritorial rates governe by the different classifications are not practicable because such rat vary greatly in amounts for like distances depending upon the propo tions thereof in the respective territories through which the rat making routes are computed. Interterritorial rates usually represe a blend of, or lamination derived from, the rate levels within t territories or zones concerned.

EXCEPTIONS TO CLASSIFICATIONS

In recent years the importance of the classifications as factors the determination of freight charges by rail has lessened. This si ation has been brought about by the establishment of innumera exceptions which take precedence over the classifications, and by t use of commodity rates. Normally the effect of the establishment a commodity rate is to exclude the application of the classificati and class rates which otherwise would apply and govern the comp tation of the charge. The level of ratings in exceptions and of co modity rates, as distinguished from the level of ratings in the cla fications, which is made by the respective classification committees, determined by individual carriers or groups of carriers, and is fi upon consideration of principles usually different from those accord weight in the determination of classification ratings. Some of t reasons for the establishment of exceptions to the classifications the following: To meet motortruck and other competition; e

venience and expedition in publication; to accomplish a more restricted application of particular rates; to remove or reduce the amount of differences between class rates and between less-than-carload and carload rates; and to provide a quicker and less burdensome method of complying with section 4 of the act. Many exceptions to the classifications are stated as percentages of first class, and they usually result in rates lower than would apply by the use of classification ratings.

The complete extent to which exceptions to the classifications have been established is not shown in the record. While in all territories, except the South, the greater part of less-than-carload tonnage moves subject to ratings in the classifications, it is generally conceded that as to carload traffic the exceptions have superseded the classifications in large degree. In comparison with other rate territories, the degree in mountain-Pacific territory is smaller. The volume of traffic in all territories which moves under rates subject to exception ratings greatly surpasses that subject to the classification ratings.

In southern territory, rates published as exceptions, or as "column" rates [12] both bearing definite relation to the first-class rates, apply to 644 articles; between southern and central territories, to 582 articles; between southern and Illinois territories, to 606 articles; between southern and trunk-line and New England territories, to 581 articles; between southern and southwestern territories, to 379 articles; and between southern and western trunk-line territories, to 222 articles when moving north-bound, and to 255 articles when moving south-bound. Many of the lower-grade, heavily loading commodities move in southern territory under commodity rates, which are not governed by classification ratings. During 1941, 38 percent of the total originated tonnage of class I railroads in the southern region was transported under such rates. It consisted of brick, cast-iron pipe, cement, lime, road aggregates, livestock, fertilizer, sulphuric acid, cotton, petroleum, iron and steel articles, scrap iron, lumber, and pulpwood.

On September 1, 1940, less-than-carload ratings on approximately 3,500 article descriptive items were established in exceptions to the southern classification that were lower than the classification ratings on such items, ostensibly to meet motortruck competition. On more than 200 of the items carload ratings of 1 regular class below that on less than carloads were published. The territorial application of the exceptions are coextensive with southern classification, or generally throughout southern territory, between southern and official terri-

[12] In recent years, certain rates in the tariffs of the railroads have been designated therein as "column" rates, as for example, column 20. They are specific percentages of 100. In the example shown, column 20 means 20 percent of the first class rate, which is 100 percent.

tories, and from western trunk-line territory, including southern Missouri, to southe territory. These exceptions were to be incorporated in the southern classification as soon as practicable, but this had not been done when the hearings closed.

It is estimated that in Texas 50 percent of less-than-carload traffic and less than 10 percent of carload traffic move on classification ratings and class rates. Shippers in that State and in the Southwest are said to have little use for the classification ratings, and this seems to be so particularly as to carload traffic. Exceptions to the western classification applicable in the Southwest are published in a tariff which contains 86 columns of rates, including the 10 regular classes ranging from 110 to 8.5 percent of first class. Exceptions in the form of 26 different percentage columns apply to 279 descriptions of less-than-carload traffic, and 70 different percentage columns apply to 919 descriptions of carload traffic. The exceptions also contain less-than-carload ratings lower than those determined by the classification on large groups of articles designated as mixtures, such as drugs and chemicals, hardware, and groceries, each mixture subject to a single rate.

The tariffs provide 86 columns of rates lower than first class for application in western trunk-line territory. Between that territory and central territory, in instances where the rates are governed by official classification and exceptions thereto, they provide 122 columns of rates lower than first class, and where the rates are governed by western classification and exceptions thereto, they provide 110 such columns of rates; on traffic between western trunk-line and southern territories, there are 98 columns of rates lower than first class south-bound and 66 columns of such rates north-bound.

An examination of 4 typical rate tariffs shows that 102 percentage columns of rates apply in official territory, 130 in southern territory, 89 in western trunk-line territory, and 85 in southwestern territory. The great number of columns is necessitated by the numerous different ratings in classification exceptions and by commodity rates. In some instances they were published to provide for the lesser percentage of increase authorized in general increases on certain traffic, such as agricultural products, irrespective of whether moving under class or commodity rates. Appropriate columns in the tariffs described above are used also for the numbered and lettered regular classes, of which 7, 12, and 10 have been prescribed for application in official, southern, and western territories, respectively, and for the percentage ratings in the classifications.

The evidence does not show the extent to which exceptions apply in official territory, but there are general statements to the effect that they are numerous and have extensive application, although less

numerous than in other territories, and that they have been established principally to meet motortruck competition.

A study of the carload freight traffic of the railroads transported on 1 day was made and testified to by a member of our staff. The basis of the study was a tabulation of the waybills for September 23, 1942, showing the number of carloads of each commodity moved by rail on that day. The tabulation did not reveal the nature of the rate at which the commodity constituting a particular carload moved, and to supply this deficiency, the kind of rate, that is, whether class, exception or commodity, was supplied by our Bureau of Traffic according to the most probable rate charged. This study, while possessing many infirmities because of the lack of basic data, is the only evidence which purports to indicate the proportions of carload traffic moving on class, exception and commodity rates, respectively. It has not been successfully challenged as a reasonable approximation of the facts stated in detail.

The following table, compiled from the study, gives the distribution of carload traffic on September 23, 1942, for each of the major rate territories and interterritorially:

Territories (within, or from one to another)	Class rates	Exception rates	Commodity rates
	Percent	*Percent*	*Percent*
Official	5.8	17.6	76.7
Southern	1.8	6.0	92.2
Western trunk-line	0.6	0.2	99.2
Southwestern	2.4	4.4	93.2
Mountain-Pacific	1.7	(1)	98.3
Official to southern	12.6	36.3	51.1
Southern to official	0.9	4.9	94.2
Official to western trunk-line	12.3	35.4	52.3
Western trunk-line to official	3.1	1.0	95.1
Official to southwestern	22.5	52.0	25.5
Southwestern to official	1.5	3.4	95.9
Official to mountain-Pacific	11.3	(1)	88.7
Mountain-Pacific to official	0.7		99.3
Southern to western trunk-line	1.5	13.5	85.0
Western trunk-line to southern	6.1	3.1	90.8
Southern to southwestern	6.1	22.1	71.8
Southwestern to southern	1.2	4.3	94.5
Southern to mountain-Pacific	4.1	4.9	91.0
Mountain-Pacific to southern	1.5	0	98.5
Western trunk-line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0
Western trunk-line to mountain-Pacific	2.6	0	97.4
Mountain-Pacific to western trunk-line	0.7	0	99.3
Southwestern to mountain-Pacific	3.9	0	96.1
Mountain-Pacific to southwestern	2.1	0	97.9
All territories to official	4.8	14.4	80.8
Official to all territories	6.7	19.4	73.9
All territories to southern	4.1	11.9	84.0
Southern to all territories	2.1	6.2	91.7
All territories to western trunk-line	2.3	5.4	92.3
Western trunk-line to all territories	1.7	0.6	97.7
All territories to southwestern	5.6	10.6	83.8
Southwestern to all territories	2.0	3.9	94.1
All territories to mountain-Pacific	3.3	0.2	96.5
Mountain-Pacific to all territories	1.5	(1)	98.5
All territories to all territories	4.1	10.	85.2

[1] Less than 0.05 percent.

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SUGGESTIONS BY MEMBER OF OUR STAFF

Included in the evidence in this proceeding is a study made by a member of our staff, the assistant to the director of the Bureau of Traffic, entitled "Some Suggestions for Improvements in Railroad Class Rates." It contains principally suggestions for revision of the boundaries of the major freight-rate territories, and for reductions in the levels of the intraterritorial and interterritorial rates. The witness expressed the opinion that revision of the classification should not be attempted until revision of the class rates has been completed. As he proposes that the levels of the class rates should be reduced, the resulting loss of revenue must, in his opinion, be recouped by increases in the classification ratings. He suggests that the initiative of readjustments of the classifications be left to the railroads, and that in the selection of appropriate ratings the existing machinery for consulting interested shippers and the classification and rate committees be used. In order to permit the work to go forward in an orderly manner, the transfer from the old to the new scales of rates should be effected gradually by groups of commodities, and complete cancelation of the present class-rate scales should be deferred until the process has been finished.

It is his view that in reality the exceptions to the classification in all territories constitute the classifications, and that the truly exceptional traffic is that which moves at ratings in the classifications; hence in the revision he would substitute the exceptions for the classification ratings, subject to whatever adjustment might be necessary to preserve revenue.

Referring to the efforts to unify the several classifications, the witness stated that, considering classification in its narrow sense, much progress in that direction has been made, but the unification in fact has been largely factitious and the chief results has been to multiply classification exceptions in the South and West. He expresses the view that a closer approach to real uniformity will result if ratings are readjusted to move the traffic and the readjusted ratings are readjusted to move the traffic and the readjusted ratings published in the classifications rather than in the exceptions.

In his opinion a preliminary reform, which could and should be effected now, is to require all ratings in all classifications to be uniformly stated as that percentage of first class which they actually represent, and to eliminate the many ratings that are designated by a "confusing array of numbers, letters and other meaningless symbols."

RESPONDENTS' POSITION

The position of respondents is that complete classification uniformity is impracticable; that the existing classifications perform

useful and necessary functions, and there has been no such departure from or disregard of the principles of freight classification generally recognized or observed in the past as to make the existing classifications obsolete, or to warrant a new revised classification. They point out that the descriptions of articles, packing requirements and rules are now uniform, that substantial uniformity exists as to the ratings class 70 and higher, and that the principal remaining differences are with respect to carload ratings. These differences are regarded as fundamental, and respondents oppose changing the ratings solely to achieve uniformity. They contend that commercial conditions would be disturbed by precipitate changes, their revenues would be seriously affected, and attainment of uniformity would cause demands for an even greater number of exceptions to the classification and of commodity rates than now exists. In their opinion, a uniform classification is not in the best interests of the carriers or of the shipping public.

Even if complete uniformity were practicable and desirable, respondents contend it could not be prescribed in this proceeding because of the lack of evidence as to the lawfulness of any particular rating. In this connection they direct attention to the fact that there is no attack upon, and no evidence was introduced that would enable us to determine the lawfulness of, any given rating, but that the discussion in the record centered on the question whether it is desirable to have a uniform classification in all territories. They insist that the issue is whether the present classification ratings are unlawful in any respect, and not the desirability of a uniform classification. In their brief, respondents in official territory argue that the only question before us is: "Does this lack of uniformity mean that the ratings which are not uniform are, *per se*, unlawful, and if so, which of the ratings are unlawful, the high or the low, or both."

Evidence was introduced on behalf of respondents by members of their classification committees. Responding to our request, the principles according to which articles at present are assigned to the respective classes in the classifications were stated. These are: Weight per cubic foot of the article as packed, liability to damage, liability to damage to other goods with which loaded, the value per pound in comparison with analogous articles of light weight and value, comparison with competitive articles, possible movement in carloads, character of the article and of the packing to determine extent to which the capacity of cars can be used, commercial conditions and units of sales, trade conditions, and value of the service.

All these elements are considered, by the several classification committees in the rating of an article, but the weight accorded particular elements has changed in recent years. Formerly, when the railroads

had practically a monopoly of transportation, the principle given the greatest consideration was value of service, described as the ability to bear a particular rating with profit to the shipper or manufacturer and the railroads. Less weight was accorded the cost of service element. Development of competitive transportation agencies with flexible service, and a disregard of the element of value by the competitive agencies in the determination of their charges, have reacted upon the policies of the classification committees with the result that generally weight density is now the dominant consideration in determining classification ratings. This does not mean that value and other principles of classification are completely eliminated from consideration; but it does mean that the value of an article does not control the rating to the extent it formerly did. An illustration of this change is the action of respondents in southern territory in reducing about 3,500 less-than-carload ratings on September 1, 1940, by the publication of exceptions to the classification in that territory. In the examination of the ratings included in the revision it had been noted that value to the exclusion of everything else originally had determined the higher rating in those instances where there were different ratings on the same article in different types of packages. The policy adopted in that revision was to assign the lower rating to the article packed in all kinds of acceptable containers, thus giving less weight to value.

During the past 20 years the western classification committee has endeavored to meet our desire for uniformity. It is claimed that while greater uniformity now exists than ever before, the result has been serious loss of revenue to the railroads, and that further uniformity can be accomplished only by additional losses which must be made up by increases on commodities produced in the West. Acting under instructions from the executive committees representing the railroads in official, southern, and western territories, in December 1936 the classification committees brought about substantial uniformity of ratings in class 70 and higher. This action caused more than 700 reductions in the West. But in September 1940 the publication by exceptions to southern classification of the 3,500 less-than-carload ratings on moving traffic in the South had the effect of destroying in large measure the high degree of actual uniformity in less-than-carload ratings that previously had been attained, even though apparent uniformity of the classifications in the same degree continued. It was declared that shippers want uniformity only when the revision is downward and oppose it when accomplished by increases.

Classes 55, 45, and 37½, regular classes 4, A, and 5, respectively, are described as important classes in western classification. Class 55 contains numerous less-than-carload and carload ratings, but the two others comprise carload ratings only. A witness gave the number of

article descriptive items in these classes that are rated the same in official classification, the numbers thereof that are higher and lower, and the distribution of the items among ratings in official classification. Similar data are discussed in the chapter herein entitled "Analysis of Consolidated Classification," and the distribution is shown in appendixes 4 and 5 to this report. Class 45 is important largely because under it moves machinery of all kinds, as for example contractors' outfits and electrical machinery. This traffic, in official territory, moves mostly under class 40 or lower. Efforts to increase the ratings in official territory have been unsuccessful because of strong pressure exerted by manufacturers.

The comparisons indicated were made in order to illustrate the effect upon the carriers' revenues or upon the charges paid by the shipper which would result from a uniform classification. The chairman of the Western Classification Committee testified that, if there is to be uniformity, the ratings in western classification must be revised upward "unless you give the railroads away."

Requests for changes in classification are placed on the public dockets of the classification committees, and all interested persons are heard before a change is made. The rail carriers denied that changes suggested by the classification committee of one territory can not be made unless the committees of other territories agree to them. Sometimes a change is docketed that would seriously affect western territory, perhaps not on the particular article, but on competing articles. In such circumstances the western committee states its objections and suggests to the other committees that the change be published as an exception to the classification. Continuance of this procedure is advocated.

In 1907, at our insistence, a committee of 15 railroad representatives, with an equal number from official, southern, and western territories, was appointed to explore the matter of a uniform classification and to make recommendation. In April 1908, the committee reported to the executives of the railroads that it was feasible and desirable to make uniform rules, uniform descriptions, uniform packing regulations, and uniform minimum weights, but that uniformity of ratings was impossible. The committee met in cities throughout the country with national associations of shippers, received their recommendations and formulated uniform descriptions, rules, packing regulations, and minimum carload weights. Toward the end of Federal control the railroads, which began during World War I, the chairmen of the three major classification committees were called to Washington and were instructed to prepare a more simplified and consolidated classification. In that work, an effort was made to iron out some of the low and high spots, and after hearings, the proposed revision, with some modifica-

tions, was recommended by the Commission to the Director General of Railroads. *Consolidated Classification Case, supra.*

As an appendix to the report in that proceeding, a tentative classification was prepared by our staff which suggested it as a possible basis for bringing about uniformity in the classifications in the major territories. The proposal as such never became effective. The chairman of the western classification committee analyzed the ratings for article descriptive items whose initial letters were A to F, inclusive, in that proposal and found that the suggested changes in less-than-carload and carload ratings would have resulted in the following: Increases, 661 in official, 614 in southern and 496 in western; reductions, 700 in official, 623 in southern and 921 in western; total increases 1,771, total reductions 2,244. There are 329 additional pages in the tentative classification, and the witness estimated that a complete check would disclose that more than 10,000 changes in ratings were suggested. The analysis was made for the purpose of illustrating the serious effects upon shippers and carriers whenever a uniform classification is established.

In reply to a proposal that "the exceptions [to the classification] indicate a classification level which is appropriate to the present position of the rail carriers in the competitive field," the witness stated that the buk of exceptions were made to meet motor competition, without consideration of the usual elements of classification, were inconsistent with one another, and could not serve as standards for a permanent and consistent classification, because every factor entering into the construction of a classification has been ignored in making the exceptions. Another serious question to be considered is the reduction in the differences between less-than-carload and carload ratings, if there should be reductions in the former. Such a situation would create demands for restoration of the former differences between less-than-carload and carload ratings.

If the application of official classification were extended to the Missouri River, the many exceptions to western classification would no longer apply in that portion of western territory, and, although there would be reductions in the ratings on numerous items in the classification, there also would be a sufficient number of increases to give the western shippers concern. Exceptions which would no longer apply are: Burlap, gunny, and jute bags, class 70 in official and class 55 in western territory; old wooden barrels, class 30, minimum 20,000 pounds, in western territory, and in official by exceptions, class 40, minimum 18,000 pounds, and class 45, minimum 14,000 pounds. All-freight rates in the West are classes 75 and 60, minimum 12,000 and 25,000 pounds, respectively. No corresponding exceptions were found in official territory, but it is understood that an all-freight rate of class

70, minimum 30,000 pounds, applies between certain points in that territory.

In determining ratings, the southern classification committee has been guided by principles stated from time to time in our decisions. Prior to the adoption of Consolidated Freight Classification No. 1, which combined in one book the official, southern and western classifications, effective December 30, 1919, the southern committee conducted its classification work entirely independent of the official and western classification committees. No formal record of data developed at periodic meetings with shippers was made. During that time the southern committee kept in touch with the ratings listed on the public dockets of the other committees, but those ratings were not controlling in the determination of ratings by the southern committee. For the reasons stated, the earlier records of the southern committee are lacking in the details of the transportation characteristics of articles classified, except in a few instances.

After December 30, 1919, the system previously observed by the southern committee was radically changed. Public dockets were made up and public hearings were held jointly by the southern, official, and western committees, and applications on approved forms for changes in ratings were demanded. Shippers were required to furnish information regarding the transportation characteristics of the articles. With the new procedure, which included a stenographic record of proceedings before the joint committee, data were obtained on which to base conclusions as to the propriety of changes requested.

The principal factor in determining southern classification ratings after 1919 and until recent years, except on unusually light and bulky articles, was value of service, described as "another term for the value of the commodity." The principles underlying the assignment of classification ratings have remained the same, but there has been a change in recent years in the influence of the controlling factors. The policies of the classification committees have been affected by competition between agencies of transportation, so that shipping weight density is now the dominant consideration in determining southern classification ratings. Value is of diminishing importance, and in certain instances as between like articles has disappeared altogether as a factor. The same is true also in the abandonment, to an extent, of differentiation and graduation of the ratings according to the methods or forms of packing.

The classification committees have no proposal or plan in contemplation for completely unifying the ratings in the classifications. There is, however, a definite trend in the direction of greater uniformity as indicated by the action in 1936, by which the ratings on virtually all articles in official, southern, and western classifications

in class 70 or higher were made uniform. As additions and new items are given ratings an effort is made, particularly in the merchandise category, to establish uniform ratings. Section 4 of the act has had an important part in the revision of southern classification in that many hundreds of ratings have been reduced so as not to exceed, by percentage of first class, those in western classification. The policy generally of the southern committee is to make ratings no higher by percentage of first class than those on the same articles in official classification. In carrying out the policy many southern ratings would become lower than in western classification, requiring reductions in the latter in order to achieve uniformity.

The following illustration of the number of changes which would have to be made to bring about uniformity of ratings on articles in class 55 in southern classification was given, 297 less-than-carload and 843 carload ratings in official, and 897 less-than-carload and 157 carload ratings in western, classification.

The contentions of respondents as summarized in their briefs are as follows:

1. Great headway has been made towards unifying the three major classifications.

2. Classification items are established largely with the aid and advice of shippers, and after public hearings held by the consolidated classification committee; and many have been prescribed by us.

3. The classification being not a unit but a multiplicity of individual items, we are not warranted even in the interest of uniformity in requiring changes except upon proper representations and information from those directly affected by such changes, and such representations and information were not submitted, despite our invitation to the public to appear.

4. Because of the manifest indifference of the shipping public, we have received no adequate evidence upon which we can conclude that any of the thousands of classification items are unlawful, especially in view of the facts that governed their origin.

5. Classification exceptions arose under circumstances which do not warrant their adoption as standards for classifying freight, or a requirement that they be established permanently as classification ratings.

6. We are not aided in reaching conclusions by the mere expression of an individual's preferences or desires without the support of competent and relevant evidence.

7. There has been no such departure from or disregard of the principles of freight classification, generally recognized and observed in the past, as either to make the classification obsolete or to warrant us in prescribing any new or revised classification.

8. For many years there has been no general desire or sentiment on the part of those who use the classifications for nation-wide uniformity in classification ratings.

Trends in classification changes.—To ascertain, if possible, what had influenced the assignment of articles of freight to particular classes, or the trends reflected in such assignments, we requested respondents to furnish specified information pertaining to changes in ratings and newly established ratings published in the past. The information sought and supplied covers the 800 of those actions as to each of the 3 major classifications that occurred immediately prior to January 1, 1931, and June 1, 1940, respectively, and also all after the latter date and until shortly before the hearing. It contains the name of the article rated or rerated; the former rating, if any, and the new rating; whether the rating was for any quantity, less-than-carloads, or carloads; and the weight per cubic foot and value per pound taken into account. Excluded from the request were indirect changes in ratings resulting from modification in packing or loading requirements, or reductions in ratings made without obtaining the prevailing value and weight density of the article, such as reductions made primarily to promote uniformity among the classifications or to remove departures from the provisions of section 4 of the act. The consequent periods are: First, from June 30, 1928, to December 31, 1930; second, from December 24, 1936, to May 31, 1940; and third, from June 1, 1940, to September 30, 1942. The third period embraces 804 changes or new items in official classification, 771 in southern, and 684 in western.

The following analysis is made from the information obtained:

Average weights per cubic foot and values per pound for classes which present sufficient items to obtain significant averages during the three periods for the three classifications, and for less-than-carload (or any quantity) and carload ratings, are compiled in appendix 6 to this report. The averages show the expected inverse relation between weight per cubic foot and value per pound, i. e., for a class containing items of low average weight per cubic foot the average value per pound is high, and vice versa. This relation is largely illusory, due to the wide range of weights and values about their averages within a class. There is no suggestive correlation between weight and value when the separate items are considered. Articles of high value may be accorded a comparatively high rating regardless of heavy or light weight, while light, bulky articles may be assigned a high rating despite low value per pound. In other words, while a high value combined with a low weight density usually yields a high rating, and a low value combined with high weight density a low rating, the in-between cases of high

value with high weight, and low value with low weight are subject to the exigencies of the particular situation.

For less-than-carload ratings in the three classifications the average weights per cubic foot increase, and the average values per pound decrease, as the percent of first class becomes smaller, for each of the three periods under consideration. This comports with the theories that light and bulky goods should be rated at a higher level than heavy articles, and that valuable goods are better able to carry a high rating than less costly articles.

As between the three periods, in all classifications there occurred a marked decrease in the average weight per cubic foot of articles assigned to any one class between the first and second periods. This is an indication that bulkiness has lost part of its importance as a reason for assignment of relatively high ratings. Articles which would have been rated in a given class in the first period are now rated, on the average, in lower classes. Most of the change in this respect occurred between these two periods, there being little difference in average weights per cubic foot for any given class between the second and third periods.

The principal change in average value per pound for any given class came between the second and third periods. For the third period the average value per pound is considerably higher than was the case previously, indicating that goods which once would have been given a high rating because of high value are now being rated for other reasons at lesser percents of first class.

Carload ratings in the three classifications exhibit generally the same characteristics as to average weight per cubic foot and average value per pound as the less-than-carload ratings. The tendency of the average weight per cubic foot for any one class to diminish has not been as marked as in the case of less-than-carload ratings. The greater part of such change as has taken place occurred between the first and second periods. Average weight densities in the lower-rated classes in official and southern classifications have not changed significantly as between the first and third periods.

Average values per pound for articles in the various carload classes have tended to drop slightly between the first and second periods. However, between the second and third periods there was a marked increase in the average value of the goods assigned to any one class, indicating that goods of a given value are now being assigned to lower-rated classes than previously.

Some of the apparent changes in average values per pound are undoubtedly due to changes in the general price level. However, this cause is not sufficient to account for the variation in the value figures.

Between 1930 and June 1940, the Bureau of Labor Statistics index of wholesale prices of all commodities, except farm products, decreased 7 percent. The average value per pound for each of the various classes either increased somewhat in this interval, or decreased less than the general decrease in the price level, except in the cases of articles assigned for carload ratings to class 35 in official classification and to class 70 in southern and western classifications, indicating a net increase in average value per pound in all classes, except these, between the first and third periods.

The wholesale price index increased about 14 percent between 1930 and September 1942, the last month included in the third period. The average value per pound for each of the classes increased much more than 14 percent, except in the case of class 35 carload ratings in official classification, again indicating a true increase in the value of goods assigned to any one class.

As between June 1940 and September 1942, the third period, except for class 40 carload ratings in official classification and class 30 carload ratings in southern classification, the percentage increases in average values per pound assigned to the various classes greatly exceed a 22-percent increase in the wholesale price index.

In general, it will be observed that bulky goods are now being assigned to classes at a lower percentage of first class than prior to 1931, and that the average weight per cubic foot of the articles placed in any class is now lower than at that time. Likewise, articles of high value are now given ratings lower than those in the first period, the average value per pound of the items rated in any particular class being higher than in that period. Although not directly measurable, competition in any form is reflected in the attitude toward weight and value, which are measurable.

If the items appearing in the information furnished by respondents are examined with respect to the average [15] of the ratings assigned for various ranges of weight per cubic foot and value per pound, the observations heretofore made still hold. For this study, appendix 7 to this report was compiled to show by weight and value groupings the average ratings, in percentages of first class, assigned to article descriptive items that were rated or newly rated during the three periods, respectively, separately for less than carloads and carloads, in each of the three classifications. Weights per cubic foot of 70 pounds or more and values per pound of 60 cents or more are omitted, since items falling in these groupings are not sufficiently numerous to provide representative averages for significant weight and value intervals.

[15] The geometric average is used, since percentages are being averaged.

In the second period the tendency was to assign items of given weight densities to lower-rated classes than in the first period, about 10 years before. This tendency has been reversed for the lightest, bulkiest articles in the third period for both less-than-carload and carload ratings. In the latter category the heavier articles have continued to be assigned to lower-rated classes than in the first period. It will be noted that in the first period there was little difference in the average ratings for goods weighing between 20 and 70 pounds. In the third period the spread between the ratings for the intervals within this range has increased.

Generally speaking, the average ratings assigned to items of various values per pound increase with increased value. There are some exceptions, particularly in the carload ratings in the second period. The spread between the average ratings for articles value at less than 10 cents and those valued between 50 and 60 cents per pound has decreased considerably in the third period from what it was in the first period. This reduction is largely accounted for by the relatively greater decrease in ratings between the first and third periods for the higher-valued articles. This tends to verify the statement that in determining a rating, value as such is given less consideration than weight at the present time.

The information herein discussed was requested in the hope that it would enable the translation of the classification elements of weight density and value, along with others, into a formula or rule for the determination of lawful classification ratings. The analysis thereof produced interesting and instructive results. It developed that articles varying greatly in value and weight density are placed in the same class. Even the average percentage relations to first class of all articles in the respective classes are sometimes higher for the greater densities and lower values than for the lesser densities and greater values. These facts demonstrate that practically the classification committees have acted on their opinion that the importance of value and density in the classification of articles is not and cannot be determined by any fixed rule, but is dependent in large measure upon the exercise of judgment. Evolvement of the desired formula is therefore impossible. Although these elements must be taken into account in assigning an article to the proper class, they cannot be controlling or displace the sound judgment of experts in this field, who must appraise and evaluate these and other well-recognized classification elements and principles. The foregoing represents a fair summarization of the position taken by the respondents, as stated in their testimony and arguments.

SHIPPER INTERESTS OPPOSING UNIFORMITY

Public bodies in certain States,[14] and associations of shippers located in official territory, including New England, oppose the prescription of a uniform classification throughout the country. Generally, they take the position that the evidence does not warrant such prescription, and that a uniform classification, although it may be desirable, is not practicable because of the effects upon the revenues of the carriers, upon relations between shippers, and because transportation conditions in the different territories are not the same. Separate briefs were filed by interests in trunk-line, central, and New England territories and by the State of Ohio.

The trunk-line interests assert that, regardless of the desirability of a uniform classification, there is no basis in the present record for prescribing one. It is their view that before we can properly proceed with any unification of the present classification ratings in whole or in part, and before there can be intelligent consultation between the interested parties, having as an objective unification of the classification ratings, the following information must be developed:

1. The extent that the ratings on the various articles are the same or different in the three major classifications.

2. The extent that exception and column ratings are accorded the various articles in the same or different territories and interterritorially; also the percentage relation of each exception to first class.

3. The extent that exception and column ratings in each territory and interterritorially differ from: (*a*) The regular ratings published in the governing major classification, and (*b*) corresponding exception and column ratings in other territories, and for interritorial application.

4. The extent that exception and column ratings in each territory and interterritorially were established: (*a*) To meet actual needs and requirements of the respective articles by reason of their inherent nature and transportation characteristics, and (*b*) to meet motor-carrier competition or competition from other forms of transportation.

5. A list of commodities for which there is no need for a classification rating.

The relative weight or consideration that should be accorded to each of the foregoing items of information, claimed to be essential in order to determine the lawful rating on a particular article, is not elucidated.

These interests are concerned as to the effect upon freight charges to be paid by shippers, if unification should be accomplished by some kind of leveling or averaging process, because of the greater volume

[14] Connecticut, Illinois, Indiana, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Rhode Island, Vermont, and Wisconsin.

of traffic that moves on class rates in official territory than in other territories. If uniformity, for example, should be brought about by increasing fifth class (35 percent) in official territory to 40 percent, and reducing fifth class (45 percent) in southern territory to 40 percent, using 100 and 138 cents [15] as the first-class rates in official and southern territories, the fifth-class rate in official territory would be increased from 35 cents to 40 cents, and the fifth-class rate in southern territory reduced from 62 cents to 55 cents. Similarly, if sixth class (27.5 percent) in official territory is increased to 34 percent and sixth class (40 percent) in southern territory is reduced to 34 percent, the sixth-class rate in official territory would be increased from 28 cents to 34 cents, and the sixth-class rate in southern territory reduced from 55 cents to 47 cents.

Some simplification of the classifications is possible without actually changing relations or the substance of the ratings. This can be done if, in instances in which ratings in the 3 major classifications on a particular article differ in nomenclature but bear the same percentage relation to first class, the same term for the same percentage is adopted in all classifications. For example, rule 26 in official classification is 55 percent of first class, and fourth class in southern and western classifications is also 55 percent. In the 3 classifications there are also a number of ratings which are stated as 55 percent of first class. If the same term were used in the 3 classifications for all such ratings, there would be both apparent and actual uniformity of 565 less-than-carload and 1,708 carload ratings, where at present there are apparent but not actual differences. Such simplification would reduce by a substantial number the variations which appear to exist between the several classifications.

The central territory interests also oppose the making of an order requiring uniformity of classification ratings. They object to any required uniformity, upon the grounds, among others, that the several classification committees should continue to have freedom of action to classify articles in their own territories in the light of prevailing transportation and traffic conditions, commercial demands and necessities, and competition, with which they are familiar. There are two reforms that they do favor. One is for a uniform nomenclature for the classes in the different classifications, and the other is a uniform relation between the several classes.

In support of their proposals for a uniform nomenclature in the several classifications and uniform percentage relations between the classes, they emphasize the fact that the greatest degree of uniformity has been attained in those ratings where the class designation and the

[15] Intended to represent the average of the first-class rates for all distance blocks in the 1,500-mile basic scales prescribed in the eastern and southern revisions.

class percentage are uniform. When there is a deviation, either as to the name of the class or as to the class percentage, there is a marked decrease in the percentage of uniformity. In instances where there is neither a corresponding class by name or percentage, there is practically no uniformity. In those situations there is a tendency to distribute ratings over a much wider range of classes. They assert that these obstacles can be overcome in only one practical way, and that is by setting up a standard set of classes to be adopted by all the classification committees. As to the number of classes, they have no definite opinion, but suggest that this report include a tentative proposal for a specific number of classes for discussion and argument.

The New England interests urge that the evidence shows that the existing classifications are lawful, and refer to the absence of any complaints from shippers; that the mere fact of a difference in ratings does not prove that one or the other rating is unreasonable or otherwise unlawful; and that factors which determine the rating to be accorded a particular article bear with varying importance in different regions. Even if a uniform classification were desirable and could be properly ordered, they contend that there is no basis for the prescription of such classification because data with respect to the relative importance by territories of the various factors which enter into and affect the classification of freight are not of record. It is claimed that the absence of these data precludes us from ordering a revision of the classifications, and that the evidence clearly shows that uniformity of classification ratings is not warranted.

The State of Ohio requests that, if we should find that a uniform classification is necessary and desirable, respondents should be allowed sufficient time properly to prepare such classification, based upon principles heretofore prescribed or recognized by us in arriving at proper ratings, and that conferences between shippers and carriers be permitted prior to its submission as an exhibit in this proceeding; further, that before ordering the formal filing of a revised classification, hearings should be held to receive evidence thereon; and that we should require a traffic study, based upon any proposed revised ratings, in order to determine their effect on the revenues and movement of freight traffic.

Opposition to any general revision of southern classification or of the southern class-rate structures was expressed by witnesses representing Southern States Industrial Council, a voluntary, nonprofit organization composed of important manufacturing interests located in 13 southern States, certain shippers in Tennessee, and of 60 individual shippers in the South whose operations are small or only moderately large. Their evidence was directed principally to the effect upon southern industry of uniform class rates, and related only

incidentally to classification; but they declared that no evidence was introduced to aid us in formulating a new classification, and therefore it is neither possible nor practicable to proceed with its preparation. Representatives of Louisville, Ky., Board of Trade and Cincinnati Chamber of Commerce oppose revision of the existing class-rate structures, and refer to the fact that they were made after exhaustive and painstaking investigations.

PROPONENTS OF UNIFORM CLASSIFICATION, OR EXTENSION OF OFFICIAL CLASSIFICATION

The major classifications have been compared and analyzed, and the diversity of the ratings has been shown. Proponents either of a uniform classification or of the extension of official classification to other sections of the country introduced voluminous evidence, showing the effect of the lack of uniformity upon shippers in their territories, and the extent to which the classifications have been rendered useless by the establishment of exceptions and commodity rates. It is impracticable and unnecessary to state the substance of the evidence of each witness. Much of it has been discussed earlier herein, and all has been carefully considered. It is appropriate to set forth the positions of these proponents of classification changes, and to refer to such additional evidence as tends to support their respective positions.

The Southern Governors' Conference, appearing on behalf of the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee is of the view that the present class-rate structure, including the classifications, within the South, and between the South and other territories, no longer meets the needs of commerce and is unreasonable and unduly prejudicial. It advocates a uniform classification throughout the country, but until such a classification is worked out, it suggests the extension of official classification for application throughout the territory east of the Mississippi River. Similar positions were taken by the Southeastern Association of Railroad and Utilities Commissioners, the State of Florida separately, and the Southern Traffic League.

The regulatory bodies of the Southwestern States and of the western trunk-line States of North Dakota, South Dakota, and Nebraska, Tennessee Valley Authority, American Farm Bureau Federation, motor-carrier interests, and associations of shippers in southern, southwestern, and western trunk-line States advocate a uniform classification throughout the country. In its brief, the Tennessee Valley Authority suggests a plan of uniform classification with class 100 as an index, and intervals, between classes, of 5 percentage points from 100

to 35 percent, 2½ percentage points between classes below 35 percent, and 25 percenage points between classes higher than class 100.

It has been shown that a large number of articles are rated in one classification differently from those in another, which generally results in different charges on the same article in the various territories. Even when an article is rated lower in one territory than in another, the shipper with the lower rating may be at a disadvantage as compared with the shipper with the higher rating, because of higher territorial rate levels and the less favorable percentage relations between the classes in the territories. In some instances, the disadvantage is overcome because the advantage in the ratings is sufficient to wipe out the differences in rate levels and in relations between the classes. But in many instances, the existence of ratings in one territory lower than in another does not result in lower charges in the former because the difference in ratings is not sufficient to neutralize the rate disadvantage caused by the variations between class-rate levels and relations between the classes. The rate effect of such differences is indicated in appendixes 2 and 3 to this report.

Kentucky State authorities do not question the desirability of a uniform classification throughout the country, but are chiefly interested in obtaining for the entire State of Kentucky a classification which does not differ from that applicable in official territory. At present the official-territory rate structure applies in the northeastern part of that State.

State authorities, shippers and manufacturers in Iowa, Minnesota, and Wisconsin seek the extension of official classification to govern traffic within these States and between them and official territory. The Minnesota commission also advocates the cancelation of all exception ratings and their transfer to the classification; and Green Bay, Wis., asks that, if Wisconsin's request is not granted in its entirety, official classification be extended at least to that community and nearby points.

Some interests ask that, if a uniform classification is not required, the classification applicable within the territory of destination be prescribed to govern interterritorial rates.

Evidence was introduced by some of the interests named under this subheading relating to economic, traffic, and transportation conditions in the territories or communities they represent, as compared with corresponding data for other territories or communities where different classifications and rate levels apply. The purpose of these data is to prove that such conditions are sufficiently alike to warrant a common level of class rates and the same classification. Most of the evi-

dence deals with the class-rate situation and is not directed specifically to the matter of classification. Such evidence will be discussed in part II of this report.

MOTOR CARRIERS' SUGGESTED FORMULA FOR RATINGS

Certain motor-carrier interests, consisting of a national association of carriers by motor vehicle and a number of their territorial rate bureaus or conferences, urge the prescription of a nation-wide, stable freight classification to be applied uniformly by all freight carriers subject to the act. However, only all-rail and rail-and-water ratings are in issue. These interests further urge that such classification be based upon defined principles of value, density, utility, and risk. In this proceeding they are concerned chiefly with package freight in less than carloads and carloads, which is competitive between rail and motor carriers, leaving to the railroads the classification of the kind of freight that moves predominantly by railroad, particularly that handled in open-top equipment. This is apparent from the scale of ratings they advocate, the lowest of which is class 50 (denominated class 15 in their formula), whereas the lowest rating contained in the present railroad classifications is class 17½.

These interests suggest that before a revised classification is promulgated, a comprehensive traffic test be made to develop the following information, regarded by them as a prerequisite to the establishment of a just and reasonable revised classification and class-rate system:

1. Normal movement in cars, tons, and ton-miles of articles covered by the individual items of the revised classification.

2. Normal intraterritorial and interterritorial movement in cars, tons, and ton-miles under each classification item.

3. The volume in cars, tons, and ton-miles of traffic moving under the revised classification which would fall within each of the classes in such classification, segregated territorially.

4. The revenues and volume in cars, tons, and ton-miles of traffic moving under commodity or other special rates not subject to the classification, segregated territorially.

As the information described is not kept currently by respondents it can be developed only by a detailed waybill analysis, and the re-rating of a sufficient volume to present a typical picture. Because of war conditions, either the waybills of a prewar period must be selected, collected, and analyzed, an expensive undertaking, or the test must be deferred until after the war, when it can be made much more economically upon a current basis, and would be typical of conditions in the postwar period.

The view of these motor carrier interests is that after a uniform nation-wide classification has been established, changes therein should be permitted only upon an affirmative showing of a necessity therefor; that no exceptions should be allowed upon a territorial basis; and that the burden of proof as to need and propriety of a specific exception should be affirmatively placed upon the proponent.

Pending the establishment of such a classification, made according to the principles and upon the basis of a formula advanced by them, the motor carriers suggest the extension of official classification to include southern territory. They contend that, from the standpoint of an industrial region such as official territory now is and southern territory is rapidly becoming, the official classification is better designed than the southern, said to be the outgrowth of a classification for a territory that originally was predominantly agricultural.

In an endeavor to arrive at a formula which would provide a simple means for classifying all articles of commerce, a survey of traffic handled by motor carriers was made. It covered 24 class I motor carriers operating in various parts of the country with operating revenues in 1940 of over $50,000,000. Ten of them were in the East, 9 in the South, and 5 in the West. The results were analyzed and a formula was presented to be used in the classification of articles. The controlling principle is said to be a proper and nondiscriminatory evaluation of the chief transportation characteristics that affect the movement of traffic, namely (1) value of the service, (2) cubic weight density of the freight, and (3) the risk involved. The formula about to be described is suggested as something not immutable, but one which the rail carriers might be required to use as a general basis in revising and simplifying the classifications and class-rate structures.

The element of value to be used is the weighted average of domestic articles at point of manufacture and of imported articles at port of entry, but it is admitted that much must be left to judgment in this respect. Nine groups of value are suggested, stated in cents per pound over the lower but not over the higher amount, as follows: 0 to 5 (base group), 5 to 10, 10 to 15, 15 to 25, 25 to 50, 50 to 100, 100 to 200, 200 to 400, and over 400 (maximum group). It is conceded that the formula would have to be adjusted in the event of a substantial rise or fall in general values.

Weight density determines to a certain extent the relative efficiency of the utilization of equipment, because there is a direct relation between the cubical loading capacity and the maximum load which a vehicle can carry. The formula uses as a base for this factor 22½ pounds per cubic foot as a maximum density, although the density of commodities handled in railroad boxcars ranges up to 180 pounds and

over per cubic foot. The six groups suggested to take care of the element of weight density in classifying articles are, 22½-pound group to include freight weighing 20 pounds and over; 17½-pound group, 15 pounds but under 20; 12½-pound group, 9.25 pounds but under 15; 7½-pound group, 6.75 pounds but under 9.25; 5-pound group, 4.25 pounds but under 6.75; and 2½-pound group, under 4.25 pounds.

Theoretically, a car of a given cubic capacity will carry approximately 28 percent greater load of a commodity having a density of 22½ than of one with a density of 17½ pounds, 80 percent more than one of a density of 12½ pounds, 200 percent more than one with a density of 7½ pounds, 350 percent more than one of a density of 5 pounds, and 800 percent more than one with a density of 2½ pounds. It is claimed that actually relative efficiency in the utilization of cubic space increases as the density diminishes. The weight of 22½ pounds is described as the optimum or most favorable density in handling traffic as respects transportation costs, and it is stated that package freight having greater density has little or no advantage over the optimum in respect to transportation economy. For the reasons given, the motor carriers propose the following relations of other densities to the base of 22½ pounds; 17½ pounds, 125 percent; 12½ pounds, 175 percent; 7½ pounds, 250 percent; 5 pounds, 350 percent; and 2½ pounds, 600 percent. These relations are said to be predicated, to a large extent, on what the traffic will bear, and are the result of experimentation with various percentages.

Value is one of the elements to be considered in the classification of articles. The motor carriers suggest that in determining this element the intrinsic value of a given article and its economic essentiality and utility must be considered and evaluated for classification purposes. The necessity therefor is the failure of some traffic, highly essential but of low value, to meet fully the transportation burden. To offset this failure, articles of higher value and less economic utility must be rated above the average cost of the service; otherwise it would not be possible to maintain the transportation system. In the formula the lowest-valued articles, those in the 5 cents per pound group, are given a base rating factor of 100 percent. Rating factors suggested for the other per-pound value groups are as follows: Between 5 and 10 cents, 105 percent; between 10 and 15 cents, 115 percent; between 15 and 25 cents, 125 percent; between 25 and 50 cents, 140 percent; between 50 and 100 cents, 160 percent; between 100 and 200 cents, 180 percent; between 200 and 400 cents, 200 percent; and over 400 cents, 225 percent. The manner in which these percentages were determined was not explained.

Rating factors, determined as described, are shown in what is called "Value-Density Table," reproduced below:

Value in cents per pound	Percentage	Density per cubic foot, in pounds					
	Base	22½ (base)	17½ (125 percent)	12½ (175 percent)	7½ (250 percent)	5 (350 percent)	2½ (600 percent)
over 0 and not over 5	Base	50	62½	87½	125	175	300
over 5 and not over 10	105	52½	65½	92	130	180	310
over 10 and not over 15	115	57½	72	100⅝	135	190	335
over 15 and not over 25	125	62½	78	107	145	200	360
over 25 and not over 50	140	70	86	117½	162½	215	385
over 50 and not over 100	160	80	99	135	187½	235	410
over 100 and not over 200	180	90	110	150	210	250	425
over 200 and not over 400	200	100	122½	165	235	275	435
over 400	225	112½	135	180	250	300	450

In the foregoing table, the density rating factors for the various density groups are obtained by applying the percentages shown horizontally to the base (the figure 50); and the value rating factors are determined by applying the percentages shown vertically to the base (the figure 50). For example, the rating factor of 62½ in the 7½ pound group is 125 percent of the rating factor of 50 in the 22½ pound group. If the article is in the value group of over 5 and not over 10 cents per pound, the density-value rating factor becomes 65½, which is 105 percent of 62½.

The rating factors as shown in the table are converted into 23 percentage groups, and to each group is assigned a percentage, which in some instances is the average of the rating factors in the group. These groups are then converted into 15 numbered and 8 lettered classes, the former ranging from class 1 (100 percent) to class 15 (50 percent), the lowest class proposed, and the latter from class A (450 percent) to class H (110 percent). The relation between the numbered classes is such that beginning with class 15 and proceeding upward to class 1 each class is not less than 95 percent of the next higher class, but differences proposed between the lettered classes are greater. The following table shows the range of the rating factors, the mean rating factor, and the classes into which articles would be placed by the use of the mean rating factors:

First and lower classes

Rating factor range	Mean rating factor	Class	Rating factor range	Mean rating factor	Class
to 105	100	1	65½ to 68	67	9
to 97	95	2	62½ to 65	64	10
to 92	90	3	60 to 62	61	11
to 88	86	4	57 to 59	58	12
to 84	82	5	54 to 56	55	13
to 79	78	6	52 to 53	52½	14
to 76	74	7	50 to 51	50	15
to 72	70	8			

Classes higher than first class

Rating factor range	Mean rating factor	Class	Rating factor range	Mean rating factor	Class
416 and up	450	A	171 to 212	189	E
356 to 415	389	B	136 to 170	151	F
298 to 355	326	C	116 to 135	121	G
213 to 265	236	D	106 to 115	110	H

The ratings in the value-density formula would be readjusted or modified according to the utility of the article. Basic necessaries would take 100 percent of the rating shown in the foregoing table, and the following groups of commodities would be related to the basic-necessaries group by the following percentages: Basic raw materials and unprocessed farm products, 85 percent; processed farm products, 90 percent; industrial materials, 95 percent; partial necessaries, 105 percent; industrial equipment, 110 percent; luxuries and accessories, 115 percent. The 85, 90, and 95 percent groups would be subject to class 15 as minimum for less-than-carload traffic. These figures represent the judgment of proponents and are not derived from any test.

The ratings determined by the value-density formula, as modified by the utility percentages, would be further modified to reflect the inherent qualities of the particular article in respect of susceptibility to theft or damage, its contaminating or perishable character, its stowage possibilities, size, weight and shape of package, and the care or attention necessary in transporting it. The consideration to be given these elements must be a matter of judgment based on transportation experience.

It is proposed that the same classification be used for less-than-carload and carload freight, except that in the case of low-grade raw materials and unprocessed farm products which move exclusively, or almost exclusively, in carloads, special carload classes should be set up. The nature of these special classes or the manner in which they should be determined are not elaborated. It is also suggested that there should be dual scales of class rates for less-than-carload and carload traffic, and that such scales, if properly constructed, would remove any necessity for carload ratings different from less-than-carload ratings on most articles.

In presenting the formula, the motor carriers admitted that in the classification of articles necessarily judgment must be exercised in a marked degree, and stated that the particular rating factors which they suggest are put forth merely to illustrate what they think might be done. The principles of classificaion might be appraised in a different and equally satisfactory manner by others. The important thing, in their opinion, is not so much what particular rating factors are

inally prescribed, but that a clear-cut, precise, and uniform definition f principles be made and the weight to be uniformly accorded them e defined.

Respondents challenge the so-called formula as not a formula at all, ut only a beginning for the exercise, as always, of judgment by classi- cation experts respecting the proper classification of particular rticles. Several comparisons of existing ratings with those obtained y use of the formula were submitted. They are:

	Present less-than-carload ratings (percent of first class)	Formula rating (percent of first class)
attresses	150	189
gnettes	85	131
ls and caps	200	450
e-cream cones	100	226
kery goods	70	160
ck-wool batts	85	295

The observations made in respect to the analysis of the information urnished by respondents regarding the classification elements of eight density and value are applicable here. In other words, we hink that a formula such as is here suggested by the motor carriers is ot practicable for use by the rail carriers universally. As stated, it s designed for package freight only, but does not distinguish between he containers used or the manner of packing, and makes no real pro- ision for articles of great weight density or high value, nor, of course, or bulk freight.

CONCLUSIONS AND FINDINGS AS TO CLASSIFICATION OF FREIGHT

These investigations afford the first opportunity for us to pass upon atings as a whole in all classifications governing class rates on inter- tate and foreign traffic between all points throughout the United tates. No recommendation regarding ratings was made in *Consoli- ated Classification Case*, *supra*, for reasons stated in that report.

Section 1 (4) of part I of the act provides that it shall be the duty of very common carrier subject to that part to furnish transportation pon reasonable request therefor, and to establish just and reasonable lassifications applicable to freight rates and charges; and section 1 6) prohibits every unjust and unreasonable classification. Section 3 1) declares that it shall be unlawful for any common carrier subject o part I to make, give, or cause any undue or unreasonable preference r advantage to any particular person, company, firm, corporation, ssociation, locality, port, port district, gateway, transit point, region, istrict, territory, or any particular description of traffic, in any respect

whatsoever. Section 15 (1) of the act requires us to find and prescribe what will be the just, fair, and reasonable classification to be thereafter followed. Under the provisions of the act, we are empowered and directed to determine whether the present classifications of freight are unlawful in any respect, and, if they are unlawful, to require the establishment of a lawful classification.

The notice of January 9, 1940, to the parties and the public stated that one of the matters to be considered in this investigation was whether the establishment throughout the country of a rail and water classification, simplified and uniform, or more nearly uniform when compared with the present consolidated freight classification, would be lawful and practicable. They were informed that in the earlier stages of the hearings evidence would not be received pertaining to the classification descriptions, minima and ratings on individual articles, save to the extent necessary to develop and illustrate facts relevant and material to the general aspects of the matters in issue.

At the hearing the evidence produced relating to the classification of freight consisted chiefly of comparisons of the ratings in the three major classifications, the effect of the ratings upon the charges paid by shippers in the principal freight-rate territories, and the extent to which the classifications have been departed from by the establishment of exception ratings and commodity rates. There is no evidence which would enable us to determine whether any particular classification rating, description, or carload minimum is unreasonable. Nor was any specific formula proposed for use in the construction of a revised classification, except that advanced by certain motor-carrier interests.

The evidence and arguments of most proponents of changes in the classification were directed to the propositions that there should be a uniform classification throughout the United States, that the application of the official classification should be extended to embrace the entire country, or the South and large sections of the West, and that the percentage relations between the classes should be uniform in all rate territories. There was a suggestion by some that the ratings in the exceptions should be substituted for those in the classifications, but such exception ratings are probably more diverse than the ratings in the classifications. A plan proposed for simplification of the classifications contemplates stating the classes in percentages of 100 with uniform relations between the classes.

Uniformity in classification has been an objective since the passage of the act in 1887. Progress in that direction has been made, and there is now substantial uniformity in classification rules and descriptions, and in the ratings of class 70 and higher. Much of the

present uniformity in ratings is theoretical rather than actual, in that while its exists as to the classifications proper, exceptions to the respective classifications provide literally thousands of lower ratings on the same articles. The exceptions may apply in one territory and not in another, or they may apply in parts of but not all the same territory. In recent years exception ratings have increased in number, principally as the result of competitive forces, and apply to a greater volume of traffic than is transported under ratings in the classification.

There is less uniformity in the carload than in less-than-carload ratings, except in the South where the 3,500 less-than-carload exception ratings were established in 1940. This is owing partly to the fact that the relations between classes lower than class 70, which embrace most of the carload ratings, are different in the three major classifications, because the number of regular classes in the classifications varies, and because of the absence in a particular classification of a class whose percentage relation to first class is the same as that of a class in another classification. In addition, differences in ratings on the same article in the three major classifications have been influenced by revenue needs of the carriers in the respective territories, by variations in rate levels, by competition between carriers, by pressure of shippers, and by the diverse judgments of the members of the several classification committees.

Few question the desirability of classification uniformity, but those who oppose uniformity contend that it is not practicable. This contention is based primarily upon the apprehension that in any unification many ratings will be reduced, thereby affecting the revenues of the carriers, and that established relations between shippers and between articles will be altered by any changes. Dissimilar conditions in the different territories and their effect upon the movement of traffic also are advanced as justifying varying ratings in the several classifications. The present classifications are said to reflect the needs of shippers and carriers, and the methods employed in the classification of articles are claimed to be duly responsive to changes in conditions as they occur. It is asserted that these results would not be possible under a uniform classification, except by the establishment of exception ratings and commodity rates; and if they are established in large number to meet the needs of commerce, there would be only theoretical uniformity, and the actual situation would remain the same.

From a practical standpoint, unification of ratings would remove serious complications, encountered in border areas where classification territories adjoin, in connection with through interterritorial rates governed by one of the classifications. So long as there were no such rates, particularly class rates, as was predominantly the situation before 1928, differences between the classifications presented compara-

tively few tariff problems, because the through rates were made by combining rate factors to and from the territorial gateways, and the application of a rating to one factor different from that governing the other caused little difficulty. But the advent of interterritorial class rates, governed by a single classification, created complicated tariff problems, numerous instances of undue prejudice and preference, departures from the long-and-short-haul and aggregate-of-intermediates provisions of section 4 of the act, and rates different in opposite directions between the same points.

The situation gave rise to many complaints, required the granting of relief from section 4, called for the prescription of the rates in effect in one of the territories as the minimum basis, and necessitated the resort to supplementary distance scales of rates in order to avoid excessive differences between intraterritorial rates to border points and interterritorial rates to points just beyond the border.

The situation created by the diversity of ratings and classes in the several classifications, the lack of uniformity in percentage relations between the classes, and the designation of classes in the classifications by different numbers or letters, have combined to compel the establishment of countless exceptions which have shorn the ratings in the classifications of much of their usefulness and proper function. This is shown by the fact that the volume of traffic, particularly in carloads, moved at class rates subject to ratings in the classifications is relatively small both intraterritorially and interterritorially, and is considerably less than that moved at rates under exceptions. It is clear that the existing classifications are outmoded and should be revised.

Although classification is not an exact science, no convincing reason appears why the same principles of classification should not be applied in every territory, to the same article of commerce, or why substantially the same weight should not be accorded to those principles, in determining the rating of the article for movement anywhere in the country.

The alleged differences in conditions in various portions of the country, referred to by those opposing a uniform classification, and considered by them as insurmountable obstacles to uniformity, are principally competition, variations in territorial rate levels, and differences in the composition of traffic. Competition may exist between dissimilar articles used for the same purpose, between shippers in different territories, and between transportation agencies. None of these forms justifies diverse ratings in different territories. Exceptions to the classification may be essential in order that competition between shippers or with other forms of transportation may continue, but in

the process of providing classification ratings, it is improper to give such competition any weight.

Variations in the territorial class-rate levels have been responsible to a degree for some of the differences in ratings in the several classifications. Where the level of rates in one territory was higher than in another, ratings in the former were sometimes made lower in order to offset, wholly or partly, the rate disadvantage of the shipper in the higher-rated territory. This disadvantage is usually removed or lessened by the publication of exceptions or commodity rates. Classifications are not the correct media for remedying inequalities in territorial class-rate levels, which should be accomplished by modifying the rates themselves. Where adequate justification exists for lower charges in a portion of a territory, or from and to particular points, the proper remedy is the establishment of lawful exceptions to the classification, or commodity rates. The situation described does not justify exceptions that have territory-wide application and afford relatively lower rates than in the immediately adjoining or adjacent territory.

While exceptions to classifications are not in issue in this proceeding, it is difficult to understand how a particular rating on a given article or description of traffic is justified for application throughout an entire present classification territory, but is not extended to an adjoining territory. It would be unusual if the justifying conditions ended abruptly at the territorial boundaries.

Differences in classification ratings are defended upon the ground that they are justified by differences in the composition of traffic in the several territories. Thus in one territory, there may be a large movement of low-grade commodities on which the ratings are relatively low and a small movement of manufactured articles on which the ratings are relatively high, and in another territory the reverse may be true. The contention is that in order to obtain the necessary revenue, it is proper to make the ratings higher in one territory than in another. This presupposes that in the determination of a reasonable rating consideration and weight must be given to the volume of the traffic in the respective territories.

We believe that the assignment to the same article of commerce of a rating which is different (in terms of percentage relation between class rates governed thereby) throughout one territory from the rating in another, because the article moves in large volume in the one as a whole and in small volume in the other, causes undue preference and prejudice between the shippers in the two territories, as well as between the traffic and between the territories. A heavy movement between particular points might be so great and regular as to justify com-

modity rates between such points lower than the corresponding rates under classification ratings, and heavy movements between many points in a broader, though localized, area might justify exceptions to the classification restricted to such area; but neither situation would warrant classification, or exception, ratings throughout one of the present extensive classification territories, different from those in the adjoining territory.

Probably the principal objection of respondents to a uniform classification is their apprehension that its achievement may adversely affect their revenues. Sufficient revenues to maintain and operate the carriers are of course essential, but their needs should not be satisfied by practicing undue preferences and prejudices in ratings such as are shown by the evidence. The revenues required should be provided by rate levels high enough to produce funds for their needs, and not by resort to increases in classification ratings that cause unlawfulness. The aim for uniformity is not merely for the sake of uniformity, but to remove the resulting unjust differences in rates.

From the standpoint of classification of freight for the ascertainment of class rates that are themselves on a lawful basis, no sound reason has been adduced by respondents or other opponents why there should not be complete unification of the ratings throughout the country. The fact that uniformity has progressed to the present degree is proof that it should be practicable as to all articles.

Respondents and shipper interests, mostly in official territory, plead that the railroads' classification committees be permitted the continued freedom of action to determine the classification ratings according to their fully informed judgment of conditions prevailing in their respective territories. They imply thereby that the committee members do not possess adequate knowledge, or can not obtain information, concerning adjoining territories. This plea ignores the significant fact that each of the three major classifications has extensive interterritorial application, and the committee members must of necessity comprehend the conditions in other territories. Thus, official classification governs class rates from Norfolk, Va. to Duluth, Minn., and from Salt Lake City, Utah, to New York, N. Y.; southern classification, from New Orleans, La., to Eastport, Maine, and from Minot, N. Dak., to Miami, Fla.; and western classification, from Brownsville, Tex., to Bay City, Mich., and from Charleston, S. C., to Cheyenne, Wyo., as well as transcontinental traffic between the Pacific coast and the Atlantic seaboard.

Long before our decisions prescribing interterritorial class rates, the carriers subjected to a single classification the interterritorial rates which they had voluntarily established. Of the latter character may be

ientioned transcontinental rates, governed by western classification; oint rates between central territory east of Illinois and Duluth and win Cities, Minn., and the intermediate area in Minnesota and Wisonsin, and from trunk-line territory to the latter points and area, overned by official classification; and through rates between the outhwest and official territory, and from parts of western trunk-line erritory to Mississippi Valley, governed by western classification.

Moreover, conditions are not the same throughout the respective erritories within which official, southern, and western classifications overn, and which embrace roughly 14, 13, and 73 percent of the early 3 million square miles of land area of the country. There are narked contrasts in conditions between northern Maine and southern llinois in official territory, Florida and Kentucky in southern territory, and North Dakota and southern California in western territory, et the classification committees have determined upon one rating for given article throughout each territory. Despite the fact that conditions are not shown to vary in homogeneous regions, like the Mississippi and Ohio River Valleys and southern West Virginia and Virginia, through which pass the present territorial dividing lines consisting only of rivers or railroads, the committees have developed classifications in neighboring sections on either side of such lines that re different, and ratings on many articles vastly different.

It is apparent from the record that members of the classification committees, who have expert knowledge of transportation, economic, production, commercial, and industrial conditions sufficient to determine ratings within these extensive classification territories and between them, acting as one committee, if willing, could initially decide upon uniform ratings for the entire country throughout which they now determine the ratings, with close approximation to the standards of justness and reasonableness laid down in the act. They have done so, but only in part.

The preponderance of the testimony is that of the various classifications now in force, or which have been suggested upon the record, the pattern of the official classification is the one which best comports with the requirements of the statute that the individual and joint classifications shall be just, fair, and reasonable, for application uniformly throughout the country. This, however, does not carry the implication that the official classification as it stands is suitable for general application. The existence of the numerous exception ratings which have been required by the exigencies of commerce, and the almost total omission to make use of the intermediate columns prescribed in *Eastern Class Rate Investigation*, *supra*, except by withdrawing the commodities from the classification, are most persuasive

that a rerating of the official classification itself is necessary so that the individual ratings therein shall be reasonable, fair, and just. To this end it will be necessary to examine the various exceptions upon their merits, and as far as possible to weave them into the going classification. Only when this is done can any classification be said to be fair, just, and reasonable. Nevertheless, there must be a pattern, and the pattern which seems to us to comport best with the standards of the act is that of the official classification, with the added classes set forth as percentage columns in Finding 1 of the report in *Eastern Class Rate Investigation*, *supra*.

Respondents and certain others assert that on this record we cannot require a change in any of the classification ratings because no evidence was received concerning individual articles. We think they are in error. Abundant evidence has been received showing that the differences in classification ratings compel shippers, in each of the classification territories, to pay on certain articles transportation rates that are relatively higher than the rates paid on the same article by shippers in one or both of the other territories, considering present class-rate levels in the respective rate territories. In fact, on many articles a shipper in a lower-rated territory must pay higher rates than one in a higher-rated territory, owing to differences in classification ratings. The showing made is typical of the entire situation at present, and would continue so with whatever rate level or levels we may find lawful in docket No. 28300 or in any other proceeding. The duty is not imposed upon us in a proceeding of this character to receive and consider evidence as to each of the more than 20,000 less-than-carload and carload ratings in the classifications, and to find as to each of them whether the rating is lawful. General findings may be made as to classifications and territories as a whole. No adequate justification has been offered for the wholesale advantages and disadvantages resulting from the classification differences.

The primary purpose of a freight classification is to assign each article, or a group of articles, to a class according to well-known classification principles or elements which recognize distinctions from a transportation standpoint, along fairly broad lines, in order to meet the needs of commerce. None of the principles or elements should be controlling, but all that are relevant should be considered. Among them are: Weight per cubic foot and value per pound as packed for shipment; liability to loss, damage, waste, or theft in transit; likelihood of injury to other freight with which it may come in contact; risks due to hazards of carriage; kind of container or package as bearing upon the matter of liability or risk; expense of, and care in, handling; ratings on analogous articles; fair relation of ratings between all articles; competition between articles of different descri-

tion but largely used for similar purposes; commercial conditions and units of sales; trade conditions; value of service; volume of movement for the entire country in either less than carloads or carloads; adaptability to movement in carloads; and carload minimum weights just to carriers and shippers. These transportation characteristics would be substantially similar on most articles irrespective of the territory in which the movement occurs.

Classification of freight has long been recognized as an important phase of rate making. Section 1 (4) and (6) of the act, already referred to, read in connection with section 15 (1) make it the specific duty of all common carriers by railroad to establish, observe, and enforce just, fair, and reasonable classifications of property for transportation. The basic considerations which should determine the classification of an article, as previously explained herein, are generally the same in all territories. That being true, it follows that wherever differences in transportation conditions from a geographic standpoint are sufficient to require recognition in the rate structure, the situation should be met in the levels of the rates themselves, supplemented, wherever desirable, by the employment of a limited number of exception ratings in connection with the established rates, rather than in the basic freight classification itself. The use of classifications to accomplish such purposes inevitably leads to inequitable and indefensible results. Without reiterating the defenses urged for the large number of disparities that now exist in classification ratings in the several territories, it is clear that they are not now reasonable and are unjustified. Furthermore, the departures from the standard classification ratings brought about by the employment of an ever increasing number of exception ratings furnish ample proof, in addition to the other facts of record which point to the same conclusion, that the three primary classifications and the Illinois classification maintained and observed in the several territories are not presently meeting the requirements of the law and will not do so for the future.

ULTIMATE FINDINGS

Upon the record, therefore, we find:

1. That the present official, Illinois, southern, and western classifications, insofar as the ratings named therein are concerned, as a whole, are, and for the future will be unjust and unreasonable, in violation of section 1 (4) and (6) of the act.

2. That the several classifications named in finding 1, insofar as the ratings therein are concerned, as a whole, because of the substantial number of differences in such ratings that now exist, result, and will result in the future, in undue and unreasonable preference, advantage, prejudice, and disadvantage as between shippers and receivers

of freight in interstate commerce and as between classification terr tories, in violation of section 3 (1) of the act.

3. That in the assignment of commodities to various classes in th classification, in order that the classification may be just, fair, an reasonable, it is essential not only that the grouping of analogou articles and those possessing similar transportation characteristic according to the accepted principles of classification recognized by u shall be observed, but it is essential that there be maintained scal of class rates, providing different rates for the several classes property, which shall bear a just and reasonable relation for th various classes each with the others. That, as stated in the repo the respondents have fixed 100 percent for first class, and 85 and percent thereof as proper relations for classes 2 and 3, to be appli when using class rates for commodities falling within those thr classes. Such percentages have also been found by us to be just a reasonable for such appl ation of class rates to commodities clas fied as falling within class 1, class 2, and class 3, in each of the clas fications embraced in the Consolidated Freight Classifications, a also generally throughout the country. The remaining percenta relations, except those above 100, in the various classifications, ho ever, differ in their percentage relation to the classes as to whi uniformity is observed, as stated in the report, and therefore the a parent uniformity denoted by the use of identical class descriptio is in point of fact inharmonious with reference to the classificatio considered as a whole, because of the varying relations of other clas to each other and to classes 1, 2, and 3 in the different territori and because differing classification ratings have been assigned to oth commodities in the several territorial classifications.

4. That it is impossible, without a basic unity in classification r ings throughout the country, to maintain a just and reasonable relati between the class rates on commodities moving in carload and le than-carload lots, or as between competing commodities moving class rates.

5. That it is entirely feasible for the respondents to establish, serve, and enforce classifications of property for transportation, w reference to which their class rates are or may be made or prescrib which shall be uniform throughout the territory served by the seve respondents. That the establishment, observance, and enforcem of such a uniform classification of property for transportation, w reference to which the class rates of the respondents are or may be m or prescribed, will be just and reasonable, and that to the extent classifications established, observed, and enforced by them with re ence to which their class rates are or may be made or prescribed, different and nonuniform, to that extent their existing classificati

of property for transportation, as embraced within the Consolidated Freight Classification, are, and will be for the future, unjust and unreasonable and in violation of section 1 (4) and (6) of the Interstate Commerce Act.

6. That it is not intended that the foregoing findings with respect to uniformity shall prevent the making of exceptional classification ratings when required either by the provisions of the Interstate Commerce Act or for commercial or competitive reasons, provided such exceptional ratings may be justified individually upon their own merits, and shall not have the effect of creating a violation of some provision of the Interstate Commerce Act or of being inconsistent with the national transportation policy, and shall not tend to impair the general requirement of uniformity of classification hereby found to be just and reasonable.

7. That upon the basis of the present record, the classification pattern prescribed for application in connection with class rates in eastern territory, known as the official classification, comports better with the requirements of the statute that the classification should be just and reasonable than do either of the remaining classifications embraced in the Consolidated Freight Classification. The general basis of the official classification, including the percentage relation between the classes, would be just and reasonable for application uniformly by the respondents, and should be so established by them within a reasonable time.

8. That it is just, fair, and reasonable that a uniform classification should be established which should contain (*a*) classes, intermediate between the several classes in the official classification, corresponding to the columns prescribed in finding 1 in *Eastern Class Rate Investigation*, 164 I. C. C. 314, 373; 171 I. C. C. 481, 499; (*b*) the present regular classes which are multiples of class 1 (class 100); and (*c*) additional classes for commodities which should take lower ratings than the lowest class in the official classification. And that these classes in the uniform classification should be as follows: Classes 400, 300, 250, 200, 175, 150, 125, 100, 92.5, 85, 77.5, 70, 65, 60, 55, 50, 45, 40, 37.5, 35, 32.5, 30, 27.5, 25, 22.5, 20, 17.5, 16, 14.5, and 13.

9. That substantial uniformity exists in classifications as to descriptions of articles and carload minimum weights.

Respondents are hereby given reasonable opportunity to initiate such uniform classification by their own collective action before we undertake the task, and they will be expected within 90 days from the service of this report to advise us whether they will undertake to make and tender to us a classification based upon the findings herein made. If the respondents shall decline so to undertake to make and tender a classification or shall omit to respond within the time specified, we

retain jurisdiction to make such further order in the premises as may be proper.

The uniform classification which we find will be necessary to comply with the statute must be closely connected with the class scale or class scales which are to be applied, both to insure proper preservation of revenue for the carriers and that the rates shall be just and reasonable as respects the shipper, and otherwise in conformity with the act. The question as to whether the existing class scales are just and reasonable, as required by section 1 (4) and (5), and as to whether they give any undue preference or advantage which is forbidden by section 3 (1) of the act, are considered in the following part of this report. In that part we will determine and state the rate basis applicable to a uniform classification which the present record appears to justify.

PART II

HISTORY OF PROCEEDING AND ISSUES

Docket No. 28300, is an investigation into and concerning the lawfulness of interstate class rates, determined by ratings in official, Illinois, southern, and western classifications. The ratings include those in the classifications stated under the regular numbered or lettered classes or as percentages of first class, but none other. The class rates included were those applicable to the transportation in interstate or foreign commerce of property by common carriers by railroad, or by water, or partly by railroad and partly by water, subject to the Interstate Commerce Act, and the charges resulting therefrom, between all points in the United States lying on and generally eastward of the following line: The western boundaries of the States of North Dakota, South Dakota, and Nebraska south to the main line of the Union Pacific Railroad Company, thence along that railway west to Cheyenne, Wyo., thence south on the line of The Colorado and Southern Railway Company and paralleling railroads passing through Denver, Pueblo, and Trinidad, Colo., to the border of the State of New Mexico, thence successively east, south, and west along the latter border to the Rio Grande (excluding any point in New Mexico), thence along the Rio Grande to the Gulf of Mexico. All common carriers subject to the Interstate Commerce Act engaged in the transportation described above were made respondents. The investigation does not embrace rates between points in what is known as mountain-Pacific territory or those between that territory and the remainder of the United States; or rates between points within the territorial scope of the proceeding which are determined by exceptions to the classifications or commodity rates.

Section 5 (b) of the Transportation Act of 1940 authorized and directed us to institute an investigation into the rates on manufactured

products, agricultural commodities and raw materials, between points in one classification territory and points in another such territory, and into like rates within any of such territories, maintained by common carriers by rail or water subject to part I of the Interstate Commerce Act, as amended, for the purpose of determining whether such rates are unjust and unreasonable or unlawful in any other respect. In our annual report, 1940, we said at page 30:

> The extensive class-rate and classification investigations above discussed may, we think, very properly be regarded as a highly important first step in this general investigation which Congress has directed us to institute.

The purpose of the investigation is to determine whether the rates and charges in issue, or any of them, are unjust, unreasonable, unduly prejudicial, unduly preferential, or otherwise unlawful, and to make such findings and order or orders as may be proper.

Although rates applicable to the transportation of foreign commerce also are in issue, no evidence was offered pertaining to specific import and export rates, or as to the structure of export and import rates. In view of the record, the discussion herein will be understood to concern only the interstate rates.

All-water and rail-and-water rates.[16]—Included among the rates in issue are lake-rail rates by way of the Great Lakes, all-barge and barge-rail rates applicable on the inland waterways, and all-ocean and ocean-rail rates subject to our jurisdiction on July 29, 1939, the date of the order of investigation. Upon request of parties in Docket No. 26712, Rail and Barge Joint Rates, for the exclusion at the initial hearings, of evidence pertaining to the joint barge-rail class rates applicable partly on the Mississippi and Warrior Rivers and their tributaries and the differentials below all-rail rates used in the determination of such rates, because of the pendency of Docket No. 26712, evidence respecting the lawfulness of such rates and differentials was not received at the hearings.

Although the water carriers publishing or participating in the lake-rail, all-barge, all-ocean and ocean-rail rates in issue were made respondents to this investigation, none of them introduced any evidence and only a few disclosed their position at the hearings. Likewise there was no evidence with respect to any of these rates by the rail respondents or shipper interests, except by representatives of New Orleans (La.) Joint Traffic Bureau, Minneapolis (Minn.) Traffic Association, St. Paul (Minn.) Association of Commerce, Duluth

[16] Water-rail denotes that the rates apply over, or that the routes include, the lines of both water and rail carriers, irrespective of whether the actual sequence is water-and-rail, rail-and-water, or rail-water-and-rail. Similarly ocean-rail, barge-rail, lake-rail, and canal-rail indicate more specifically that the rates or routes contemplate transportation on the Atlantic Ocean or Gulf of Mexico, on barges on inland waterways, on boats on the Great Lakes, and on barges on canals, respectively.

(Minn.) Chamber of Commerce, and the North Dakota commission.

The representative of Great Lakes Transit Corporation stated that if the general levels of all-rail class rates are fixed so as closely to approximate the present levels, that corporation will be satisfied with the maintenance of the present differential relations between lake-rail and all-rail rates; but if radical changes are made in the all-rail rates so that the maintenance of the existing differentials would work hardships, it would be compelled to ask for relief. He was unable to discuss definitely the measure of the differentials because of uncertainty as to the level of the all-rail rates that may result from this investigation, but stated that in any event the lake-rail rates of Great Lakes Transit Corporation should be governed by the same classification and exceptions thereto as govern the all-rail rates.

The position of the other water carriers[1] is that it would be wholly impracticable to offer evidence in this record as to the amounts of the differentials between all-rail and rail-water rates that should reasonably be fixed if a change in the level of the all-rail rates should be brought about as a result of this proceeding. The reasons therefor are; (1) Because of the scope of the proceeding, it would hardly be practicable to go into the question at any length without unduly burdening the record; (2) the steamship companies (except to a very limited extent) are not operating their coastwise services, their vessels having been taken over by the Government; (3) there is no way of forecasting what, if any, new all-rail rates will be prescribed; and (4) the traffic departments of these companies have been so drastically curtailed that they are not adequately equipped to prepare and offer evidence. The water carriers do not advocate any change in the all-rail rates, but if such rates are readjusted, they ask that provisions be made for differentials no lower than those now observed.

The territories covered by the differential rates in which the water carriers are interested are, briefly, as follows: Between trunk-line and New England territories and southern territories; from trunk-line and New England territories to trunk-line, central, western trunk-line territories and extended areas thereof and certain portions of southwestern territory, from trunk-line and central territories to north Atlantic ports; between New England territory and New York, N. Y., and its environs.

Only meager evidence was introduced by the Minneapolis, St. Paul, and Duluth interests concerning lake-rail rates, but they stated their general positions with respect thereto. The Twin Cities advocate greater differentials between lake-rail and standard all-rail rates be-

[1] Agwilines, Inc. (Clyde-Mallory Lines), Baltimore Steam Packet Company, Bull Steamship Line, Eastern Steamship Lines, Inc., Merchants and Miners Transportation Company, Philadelphia and Norfolk Steamship Company, and Ocean Steamship Company of Savannah.

ween the Twin Cities and eastern lake-rail rate areas A, B, and C as described in the lake-rail revision [18] between standard rail-lake and differential lake-rail rates from New York and New England to the Twin Cities, and between canal-lake-rail and standard lake-rail rates from New York to the Twin Cities. Canal-lake-rail rates are not in issue, and we are not empowered to prescribe specific through rates for the future over differential lake-rail routes, part of which are in Canada, because our jurisdiction is limited. Duluth's position is that if no marked changes are made in the all-rail rates from trunk-line and New England territories to western trunk-line territory, the present differentials between lake-rail and all-rail rates to Duluth should be continued. If decided changes in the levels of all-rail rates are prescribed, the carriers should be required to establish lake-rail rates lower than all-rail rates, giving consideration to the value of the service and the enonomy of water transportation, but lake-rail rates made on the equated mileage theory are opposed.

The New Orleans Joint Traffic Bureau neither supports nor opposes the efforts to readjust the class rates and is not asking for a revision of those rates. Its main interest is the continuance of class rates over the coastwise water routes through the gulf ports differentially lower than class rates that may be required to be established over all-rail routes between trunk-line and New England territories and points in the Southwest and Mississippi Valley, Memphis, Tenn., and south. If all-rail rates from and to the above territories are ordered reduced, we are urged to require reductions in the class rates over coastwise routes through the gulf ports which will preserve the existing differences between all-rail and coastwise rates.

Owing to the war, practically all water carriers which have participated in joint rates with the railroads have suspended operations because their vessels have been taken over by the Government for war purposes. The lack of evidence respecting such rates is doubtless due to this fact. As the present record is inadequate upon which to prescribe reasonable and otherwise lawful all-water or rail-water rates, no findings will be made with respect thereto, and they will not be discussed further in this report.

Subsequent to the close of the hearings, certain public authorities, shippers, and associations of shippers were permitted to intervene and to participate in future proceedings in both investigations.

HISTORICAL BACKGROUND AND GENERAL BASES OF PRESENT INTERSTATE ALL-RAIL CLASS RATES

The section of the United States embraced in Docket No. 28300 comprises all of official and southern classification territories, and

[18] *Lake and Rail Class and Commodity Rates*, 205 I. C. C. 101, 198.

about the eastern half of western classification territory. The boundaries of those territories are defined in part I of this report, and are sketched in appendix 1. Intraterritorial class rates between points within each classification territory are governed by the classification that bears the same name as the territory. Interterritorial rates are subject to the classifications as stated in part I of the report and as graphically portrayed in appendix 1.

Official territory encompasses New England, trunk-line, central and Illinois territories;[19] southern territory lies south of official territory and east of the Mississippi River, and includes the Florida peninsula;[20] and the eastern half of western territory contains western trunk-line and southwestern territories, and southern Missouri.[21] Although ordinarily not considered a part of any rate territory, southern Missouri from a rate standpoint has been treated sometimes with either western trunk-line or southwestern territory. It will be discussed in this report under the headings of the former territory.

The description herein of the general bases of interstate maximum class rates and their history will set forth details sufficient only to present the principal aspects of the general rate structures. No attempt will be made to cover relatively minor variations in them, or departures therefrom in comparatively small sections of States or territories made by railroads for competitive reasons usually.

Present class rates within and between the rate territories embraced in this proceeding are founded upon distance scales of rates, or key rates in specific amounts between named points in the determination of which the scales were used as a guide, applicable to both single and joint-line movements, prescribed by us in several extensive in-

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[19] Description of the territories composing official territory are: New England, lying east of the eastern State-line of New York, but including points in New York State served directly by New England railroads and certain others, which takes in practically all points east of the Hudson River; trunk-line territory, extending westwardly from New England and the Atlantic Ocean to a line drawn through Buffalo and Salamanca, N. Y., Warren, Oil City, Pittsburgh, and Washington, Pa., Wheeling, Parkersburg, Charleston, and Gauley, W. Va.; and central-Illinois territories, which are west of that line.

[20] The Florida peninsula is all that part of the State south of the Seaboard Air Line Railway extending from Jacksonville to River Junction, Fla.

[21] The boundaries of western trunk-line and southwestern territories and southern Missouri are depicted in appendix 1 hereto. To the extent affected, the western boundaries of these territories are the western limits of the territorial scope of this proceeding, and the eastern boundaries are the same as the eastern boundary of western classification territory. The southern boundary of western trunk-line territory west of the Mississippi River is as follows: On and north of the St. Louis-San Francisco Railway from St. Louis to Pacific, Mo., thence the Missouri Pacific Railway to Labadie, Mo., thence the Chicago, Rock Island & Pacific Railway to Kansas City, Mo., thence south along the eastern State line of Kansas, thence west along the southern State line of Kansas, thence west along the southern State line of Colorado to a point south of Trinidad, Colo. That is also the northern boundary of southwestern territory, except that east of Kansas it is Missouri's State line south and east of Kansas to the Mississippi River. The part of Missouri lying between those boundaries is termed southern Missouri in this report.

restigations,[22] and subjected to the general increase of 1938.[23] The first of these investigations was the southern revision originally decided in 1925, followed by the southwestern in 1927, and the eastern and western trunk-line revisions decided at approximately the same time in 1930. In 1934 the western trunk-line revision and the southwestern revision were modified as to the measure of the rate scales. In 1935 the lake-rail revision was required, and in 1938 the western-southern revision.

Broadly speaking, in those revisions all-rail class rates on a distance basis were required to be established intraterritorially within New England, trunk-line and central territories and southern, western trunk-line, and southwestern territories, respectively, and between the territories named for relatively moderate distances; key rates mostly were prescribed interterritorially between points farther apart, except largely between official and southern territories, and as to all rates between western trunk-line and southern territories. A substantial grouping with the base points taking distance rates, and with the key points taking key rates, of all other points in the territories concerned was authorized and established. Water-rail rates prescribed in the revisions were made in relation to, but lower than, the all-rail rates.

Computation of distance rates over all-rail routes between territories or zones accorded different rate levels, except between official and southern territories, contemplated the addition of differentials or arbitraries for distances in specified areas, called the western trunk-line or laminated formula [24] where the differentials are imposed

[22] They will be termed "revisions" in this report, called by the following names, which revisions were prescribed in the proceedings cited: Eastern, *Eastern Class Rate Investigation* (1930), 164 I. C. C. 314, and supplemental reports, 171 I. C. C. 481, 177 I. C. C. 156, and 203 I. C. C. 357; southern, *Southern Class Rate Investigation* (1925), 100 I. C. C. 513, and supplemental reports 109 I. C. C. 300, 113 I. C. C. 200, and 128 I. C. C. 567; western trunk-line, *Western Trunk Line Class Rates* (1930), 164 I. C. C. 1, and several supplemental reports of which the sixth (1934), 204 I. C. C. 595, contains the principal bases for present rates; southwestern, *Consolidated Southwestern Cases* (1927), 123 I. C. C. 203, and a number of supplemental reports of which the twenty-first (1934), 205 I. C. C. 601, contains the prihcipal bases for present all-rail class rates; western-southern, *Western-Southern Class Rates* (1938), 226 I. C. C. 497, and supplemental reports 231 I. C. C. 315, 232 I. C. C. 81, 238 I. C. C. 681, and 246 I. C. C. 119; and lake-rail *Lake and Rail Class and Commodity Rates* (1935), 201 I. C. C. 101, and supplemental report 214 I. C. C. 93.

[23] The rates described were subject also to the emergency general increase of 1942 during the period it was in effect, namely, March 18, 1942, to May 14, 1943, both inclusive.

[24] The formula was devised in the original report in the western trunk-line revision in order properly to reflect, in the interzone and interterritorial rates prescribed, the varying rate levels in the different rate zones and territories traversed. It requires the application of an underlying scale of rates, being the one prescribed for the lower or lowest-rated zone or territory affected, to the entire distance over such route, plus the differential or differentials for the remainder or successive remainders of the distance in the higher-rated zone or zones; provided, that whenever the route enters the same zone or territory more than once the distances are aggregated before applying the appropriate underlying scale of rates or zone differentials; and, provided further, that where the route passes directly from one zone or territory to another which adjoins but which is not on the next-higher rate level, the differential for the zone or zones of intermediate rate level not entered is nevertheless

on an underlying rate scale which is applied through for the entire distance. In the exception noted, differentials for distances in official territory are added to rate factors in the South. Distances used in all the revisions were those figured over the shortest possible rail routes by which carload traffic can be interchanged between carriers without transfer of lading, except where longer routes traversing territories or zones of lower rate levels produced rates appreciably lower than over the shortest route; but the resulting rates apply over one or more reasonably direct routes.

Key rates apply between so-called key points, for which were selected substantially all the larger centers of population and industry, supplemented by a sufficient number of less-important places in order to furnish an adequate framework for complete and workable rate structures. In determining the measure of the individual rates, the initial guides were amounts produced by the distance method, including appropriate differentials, modified by the weight accorded relevant practical considerations. Such considerations contemplated the grouping of other points with the key points under the same rates, the blanketing of key rates back over intermediate points to the next less-distant key point, observance of the long-and-short-haul provision of section 4 of the act, long-established custom, and well-recognized rate relations between particular points and ports. The influence of lower ocean and ocean-rail rates on all-rail rates between points in the Atlantic seaboard area, or points reasonably related thereto, also was given consideration. Points other than key points in areas of the respective territories accorded key rates are embraced with congruous key points so as to compose logical and natural groupings.

Distance rates are subject to key rates as maxima. All interterritorial rates are subject also to rates within one or the other territory as minima. Special provisions to fit unusual situations prevail; for example, as to rates to and from the environs of New York, N. Y., and rates for short and financially weak railroads. The maxima for all rates are the lowest aggregates of intermediate rates subject to the act.

Nearly all of the distance and key rates prescribed in the revisions referred to above were those on class 1, which is also referred to as class 100, because other columns of rates are percentages of such class rates. Percentages of class 100, depending upon the classification

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added for a distance equal to that remaining in the higher-rated zone or zones, which distance is aggregated with any otherwise used in the same zone. The resulting rate is applicable in either direction between the two points.

It may be explained that the differentials for a particular zone represent the amounts that the scale rates for that zone are above those in the next lower-rated zone for the corresponding distance blocks. For that reason the formula contemplates the addition of the differential for an intermediate zone, even though it is not entered, equivalent to the aggregate distance remaining in the higher-rated zone or zones in order to build up to the rate level in the zones actually entered.

that governed, were prescribed for the lower regular classes. In addition, five of the revisions required that the class-rate tariffs affected should contain a number of columns of rates bearing certain percentage relations to class 100, four of which specified identical columns. All such percentages are listed in the following table, with indication of the particular percentage columns named in a given revision, and which of them were fixed for the regular classes. Percentages for classes under the Illinois classification are denoted also, although they were not prescribed by us, and that classification governs little interstate traffic.[25]

Percentage relations of regular classes prescribed, and columns required to be published in class-rate tariffs

Rate column (percent)	Revisions						Under Illinois classification
	Eastern[1]	Southern[2]	Western-trunk-line[3]	Southwestern[4]	Western Southern[4]	Lakes[5]	
	Class	Class	Class	Class			Class
100	*1	1	*1	*1	•	•	1
92.5	•		•	•	•	•	
85	*2	2	*2	*2	•	•	2
77.5	•		•	•	•	•	
70	*3	3	*3	*3	•	•	3
65	•		•	•	•	•	
60	•		•	•	•	•	
55	*R25	4	*4	*4	•	•	R25
50	*4		•	•	•	•	4
45	•	5	*A	*A	•	•	
42.5			•	•			
40	•	6	•	•	•	•	A
38				•			
37.5	*R5		*5	*5	•	•	5
35	*5	7	•	•	•	•	
32.5	•		*B	*B	•	•	B
30	•	8	*C	*C	•	•	
27.5	*6		•	•	•	•	6, C
25	•	9	•	•	•	•	
22.5	•	10	*D	*D	•	•	D
20	•	11	•	•	•	•	E
17.5	•	12	*E	*E	•	•	
16	•		•	•			
15							
14.5	•		•		•	•	
13.5				•			
13	•		•		•	•	
12.5				•			
12				•			
5.5				•			

[1] Rates are governed by official classification. At time of original report in the eastern revision, official classification still published R25, or rule 25, rating on certain article descriptive items, for which 70 percent was fixed, or the same as for class 3. The classification no longer contains rating R25.

[2] Rates, both intrastate and interstate, are governed by southern classification.

[3] Rate percentages shown are those for rates governed by western classification; where interterritorial rates are governed by official classification, they are the same as in the eastern revision.

[4] Rates, both intrastate and interstate, are governed by western classification.

[5] All rates apply interterritorially, and class rates are the same percentages as in the southern and western trunk line revisions, according to whether governed by southern or western classification, respectively.

[6] Class rates are the same percentages as prescribed in the eastern and western trunk-line revisions, according to whether governed by official or western classification, respectively.

* Indicates the percentage column required to be published in class-rate tariffs.

[25] The interstate application of Illinois classification is now confined to class rates between Illinois and points in the Indiana portion of the Chicago switching district, and to traffic between Illinois points traversing routes partly in Indiana on which the Illinois classification authorizes charges over intrastate routes between the same Illinois points lower than what the corresponding charges would be at interstate rates governed by official classification.

Removal of the unlawfulness found in these revisions resulted in the application of uniform percentage relations between the classes throughout official territory, southern territory, and the eastern half of western territory, respectively, and interterritorially when the rates are governed by the same classification. It also established harmony among rate levels, even though different levels were prescribed for defined parts of the same territory, in place of the great variations that had existed.

Intraterritorial rates.—The principal scales of class 100 rates prescribed in the important class-rate revisions for the respective territories, and for certain parts of those territories, including the general increase of 1938, are set forth in appendix 8.

Within official territory.—The bases for present rates in this territory were prescribed in the eastern revision. The rate history appears at pages 323–335 and elsewhere in the report therein (164 I. C. C. 314). For the purposes of that proceeding, official territory included the west-bank Mississippi River crossings in Missouri and Iowa, west-bank Lake Michigan ports in Wisconsin and in the Upper Peninsula of Michigan, the lines of the Chesapeake & Ohio Railway in Kentucky, and those of the Norfolk & Western Railway to Norton, Va., and Bristol, Va.-Tenn. It did not include rates to and from local points on the Southern, Atlantic Coast Line, and Seaboard Air Line railways in Virginia.

These rates are grounded upon the so-called eastern scale, shown in appendix 8. Neither the measure nor progression of that scale was modeled after any other, but the average of the class 100 rates for all distance blocks through 1,500 miles is 73.1 percent of the southern scale, 77.9 percent of the western trunk-line zone I scale, and about 62.3 percent of the southwestern (or zone III) scale.

The eastern scale was prescribed or employed for making rates over standard class I railroad lines, including all electric lines, engaged in the general transportation of freight, and all switching and terminal carriers. It determines the rates within trunk-line and central-Illinois territories, with differentials or arbitraries added in certain parts, and was used in constructing key rates between trunk-line-New England and central-Illinois territories. It fixes the distance rates between trunk-line territory and New England zones A and B,[26] being applied to and from zone A, with the addition of differentials that represent about 8.8 percent of the eastern scale for the distances in zone B.

Within New England, the scale in zone A is 105 percent of the eastern scale, and the scale in zone B is 110 percent of the zone A scale, or 115.5

[26] New England zones roughly are divided by a line drawn through Windsor, Vt., Concord, N. H., and Portland, Maine, the portion south of that line being designated zone A, and north thereof as zone B.

percent of the eastern scale. Between these zones the zone A scale applies, plus differentials for distances in zone B the same as those used in making rates between zone B and trunk-line territory, which average about 8.8 percent of the eastern scale. Between zone B and other parts of official territory, no arbitraries are added.

Between points in zone C in Lower Michigan,[27] as well as the west-bank Lake Michigan car-ferry ports,[28] and between them and other points in central territory, the basis prescribed for interstate rates is the eastern scale plus differentials for distances in zone C, which average 8.8 percent of the eastern scale.

Special arbitraries, in distance or in cents per 100 pounds, are added to the distances or rates in applying the eastern scale to and from New York City and its environs, including provision for lighterage and floatage deliveries, from and to defined long-and-short-haul areas in trunk-line territory; and also in the rates from and to New England under the New England zone scales. From and to points on Long Island outside New York City, the rates include arbitraries over New York City. Distance arbitraries are represented in rates applicable over routes involving interchange movements across New York Harbor entirely or partly by car float, and where the rate-making distance is computed over routes of the New York, New Haven & Hartford and New York Central railroads.

Between designated Philadelphia, Pa., and Baltimore, Md., groups and trunk-line and New England territories, rates reflect distance arbitraries added to the actual distances to particular stations in those groups; and at Philadelphia a constructive distance is allowed where routes of less than 80 miles require crossing the Delaware River.[29]

In order to make rates to and from points on specified lines or branches of certain railroads in northeastern New York State, Virginia, West Virginia, and Kentucky, for distances on such lines or branches, carriers were authorized to add to the rate to the main-line junctions differentials representing 10 percent of the eastern scale in some instances, and, in others, arbitraries on a higher scale. The record does not indicate the extent, if any, to which the carriers have availed themselves of that authority.[30] These rate situations are not

[27] Zone C includes that portion of Lower Michigan north of a line drawn eastwardly from Muskegon through Greenville, Edmore, Alma, Midland, and Bay City, excluding the "thumb" of Michigan.

[28] Subsequently the carriers voluntarily reduced the rates between the west-bank Lake Michigan ports and trunk-line-New England territories.

[29] As indicated, between these Atlantic port areas and central Illinois territories specific key rates apply, which include the additional amounts for port areas.

[30] For example, the Norfolk & Western Railway elected to publish rates to and from its Bristol and Norton lines in southwestern Virginia on the standard-line eastern scale, without arbitraries. They were found justified in *Rates on Bristol and Norton Lines of Norfolk & W. Ry.* (1933), 192 I. C. C. 315.

sufficiently important to develop at length in a statement of the general bases over nearly two-thirds of the United States.

Certain New England short lines were exempted from the requirement to establish joint class rates where none had been published previously.

Within southern territory.—Rates in this territory, founded upon the southern revision, were established January 15, 1928, and later modified. The preceding history is reviewed in the original report in that revision (100 I. C. C. 513) at pages 520 to 530.

A scale, known as the southern or K–2 scale, extending through 1,500 miles, was prescribed for general application in southern territory and is set forth in appendix 8 to this report. For distances in the Florida peninsula a scale of differentials, representing about 15 percent of the southern scale, was added.[31]

Modification of the application of the southern scale between points in Virginia on and south of the Virginian Railway and points in North Carolina was required by us and became effective October 27, 1936. It is termed the "border area" scale in appendix 8. It consists of a scale through 600 miles, in which the rates are the same as in the southern scale for distances between 200 and 400 miles and somewhat lower and higher than in that scale for shorter and longer distances, respectively.[32]

For distances through 190 miles, the carriers, on July 7, 1941, voluntarily reduced to the basis of the border area scale all rates throughout southern territory that previously had been constructed on the southern scale.[33] No corresponding change was made in the differentials imposed for distances in the Florida peninsula.

Arbitraries were authorized for short and financially weak lines.

Within western trunk-line territory.—The history of the class rates within this territory, interstate and intrastate, for upwards of 50 years preceding the decision in 1930, is recited in the original report in the western trunk-line revision (164 I. C. C. 1) at pages 23–36. It describes the numerous and varying rate bases, with widely differing percentage relations of the respective lower classes to class 100, evolved piecemeal by the carriers since the early railroad development of the West, by us upon many formal complaints against interstate rates, and as to intrastate rates, by the regulatory commissions of every State in the territory.

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[31] The southern scale of rates and the Florida scale of differentials were prescribed in the second and third supplemental reports on reconsideration in the southern revision (1926 and 1927), 113 I. C. C. 200, and 128 I. C. C. 567, respectively.

[32] This scale was first prescribed in *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.* (1935), 213 I. C. C. 259.

[33] This action came after the prescription of the scale referred to for determining lawful intrastate rates in North Carolina in *Class Rates Within the State of North Carolina* (1940), 238 I. C. C. 225.

In that report related distance bases of maximum reasonable interstate rates were prescribed. Western trunk-line territory, which for the purposes of the proceeding included no part of Illinois, was divided into three principal rate zones; and eastern and southeastern Wisconsin were accorded separate rate treatment.[34] Boundaries between zones are not on State lines. Scales of rates were provided for application between all points in each of the rate zones, the measure or level of the scale for zone I being the lowest. The scales for zones II and III were higher than the scale for zone I by approximately 12 and 20 percent, respectively.[35] For the eastern and southeastern portions of Wisconsin, the interstate bases prescribed were those fixed in the eastern revision for zone C in Michigan and for Illinois, respectively. Between these portions and the western trunk-line zones, the basis prescribed was the same distance basis hereinafter described in connection with interterritorial rates between those zones and Michigan zone C and Illinois territory.

In the western trunk-line rate structure that had been evolved up to the western trunk-line revision there were 10 classes, with no uniformity in percentage relations between them, governed by western classification and exceptions thereto. The prescription of official classification within eastern and southeastern Wisconsin was the only change made in the governing classifications and exceptions. The number and designation of classes, where they were to be governed by western classification, remained the same, but uniform percentage relations between them were provided. Rates published in purported compliance with the original report, as modified,[36] became effective December 3, 1931.

Rates within western trunk-line territory were subsequently required to be changed,[37] and the revision became effective August 20,

[34] These rate zones are as follows: Zone I, Upper Michigan, Wisconsin except the eastern and southeastern portions, the eastern and southeastern portions of Minnesota, Iowa, and the northern half of Missouri; zone II, the remainder of Minnesota, the eastern thirds of North and South Dakota, the eastern half of Nebraska, and the eastern third of Kansas except the southeastern corner; and zone III, the remainder of North and South Dakota, Nebraska, and Kansas, Colorado on and east of the common-point line extending through Denver, Colorado Springs, and Trinidad, and the small southeastern or Cheyenne corner of Wyoming. The portions of Wisconsin not embraced in zone I were treated as two rate areas, one being the part in Illinois territory, and the other the part that lies north thereof and on and east of a line from Madison to Green Bay and termed extended zone C in Wisconsin. These zones and separately treated portions are sketched on appendix G to the original report in the western trunk-line revision. Carriers later voluntarily projected extended zone C northward along the west bank of Green Bay to embrace Marinette, Wis., and Menominee, Mich.

[35] The original scale for zone I extended through 1,500 miles (as did those for zones II and III), and the rates therein for representative distances were 5 miles 32 cents, 50 miles 49 cents, 100 miles 68 cents, 200 miles 92 cents, 400 miles 126 cents, 600 miles 158 cents, 1,000 miles 210 cents, and 1,500 miles 270 cents.

[36] In supplemental and second supplemental reports (1931), 173 I. C. C. 637, and 178 I. C. C. 619, respectively.

[37] Sixth supplemental report (1934) in the western trunk-line revision.

1935. No change was made in the rates within the parts of eastern and southeastern Wisconsin previously defined. The plan of the original report for constructing rates was adhered to, but the zone scales were modified mainly by increasing the rate of progression and measure for the relatively longer distances, although many of the rates for the shorter distances in zone I scale were reduced somewhat. Zone differentials were modified accordingly. The approximate average percentage relations to zone I of rate levels in zones II and III were increased to 114 and 125 percent, respectively.[38] Rates in the revised zone I scale for all distance blocks through 1,500 miles average 128.4 percent of the eastern scale, 93.9 percent of the southern scale, and 80.0 percent of the revised southwestern (or zone III scale). No change was made in the zone boundaries, laminated formula for interzone rates, number and percentage relations of the classes, or in the governing classification and exceptions, save that rates within extended zone C in Wisconsin were required to be governed by western classification.

Southern Missouri's earlier class-rate history is recited in *Interstate Rates in Missouri* (1932), 181 I. C. C. 259, at pages 264–266. In that proceeding southern Missouri was denominated zone II, except the strip along the Arkansas border which was named zone III. Pursuant thereto the bases for present interstate rates are those fixed in the western trunk-line revision for zones II and III, respectively. For rates between these zones, as well as between them and northern Missouri (zone I), application of the laminated formula was prescribed. No change was made in the governing (western) classification and exceptions. Rates in compliance with the findings in that proceeding became effective July 17, 1932.

Within southwestern territory.—The rate structure in this territory as it existed in 1927 is described, and a brief history thereof is given, at page 217 and elsewhere in the original report in the southwestern revision (123 I. C. C. 203). In that report, distance rates were prescribed throughout the territory on the southwestern scale,[39] with the addition of differentials, representing 20 percent of the southwestern scale, for any distance in Texas-Oklahoma differential territory.[40] For the crossing of the Mississippi River, the carriers were authorized

[38] The scales of rates in the three zones appear in appendix 8.

[39] The original scale in the southwestern revision for the distance rates established July 14, 1928, extended through 1,500 miles. For representative distances the rates were, 5 miles 36 cents; 50 miles 58 cents; 100 miles 79 cents; 200 miles 109 cents; 400 miles 157 cents; 600 miles 192 cents; 1,000 miles 253 cents; and 1,500 miles 318 cents.

[40] Roughly, Texas-Oklahoma differential territory lies generally west of a line in Texas drawn north from Corpus Christi through San Antonio, San Angelo, Midland, Lubbock, and Amarillo, thence northeastward and north so as to include the Panhandle section of Oklahoma west of the 100° meridian.

to add arbitraries of 4 cents at Thebes, Ill., and Memphis, Tenn., and 6 cents at crossings south thereof. As modified prior to the establishment of the rates on July 14, 1928, the percentage relations of the classes to class 100 prescribed were:

Classes	1	2	3	4	A	5	B	C	D	E
Percentages	100	85	70	55	45	40	32½	30	22½	17½

Shortly after the original decision in the western trunk-line revision, the southwestern proceeding was reopened for further hearing in recognition of the differences between the rates that had been prescribed in the original reports in these two revisions, and to integrate the two rate adjustments as much as possible. In supplemental reports in the reopened proceeding, the twenty-first as modified by the twenty-second supplemental report (1934 and 1935), Texas-Oklahoma differential territory was designated as zone IV, and the Southwest [41] as zone III. The scale fixed for zone III was the same as had been provided in the sixth supplemental report in western trunk-line revision for zone III, and, for zone IV, a scale 15 percent higher.[42] Rates between zones III and IV were required to be constructed on the laminated formula.

Addition of arbitraries for Mississippi River crossings was no longer permitted in rates to and from east-bank river points. Houston, Galveston, and Texas City, Tex., were grouped generally as to rates between those cities and points more than 200 miles, later made 150 miles, from Houston by adding 15 miles to the distance to and from Houston.[43]

The percentage relation of class 5 was reduced from 40 percent to 37½ percent of class 100, thus unifying the percentage relations between all classes where the rates are governed by western classification in the southwestern and western trunk-line revisions. Rates in accordance with the modifications described were published effective April 9, 1937, and the class rates which had been established pursuant to the original report, as modified, were canceled.

The reduction from 120 percent to 115 percent in the rate level for Texas-Oklahoma differential territory (later designated zone IV) had been earlier required in the nineteenth supplemental report [44] (1933) in the southwestern revision.

[41] The Southwest is all of southwestern territory lying east of Texas-Oklahoma differential territory.

[42] Southwestern zone III scale is set forth in appendix 8 to this report. The scale for zone IV is not shown there because the carriers no longer avail themselves of its level above zone III.

[43] Twenty-second and twenty-ninth supplemental reports (1935 and 1943) in the southwestern revision, 211 I. C. C. 575, and 256 I. C. C. 636. The reports cited provide that in instances in which the short-line distances from Houston approximate or exceed the corresponding distances from Galveston the scales shall be applied to the Houston distance.

[44] 196 I. C. C. 507.

Effective August 16, 1941, the carriers voluntarily reduced the rate level in zone IV to the basis of the zone III rate scale, and eliminated the zone IV differentials in the rates between zones III and IV.

Interterritorial rates.—There is no scale that alone determines the class rates between any two of the principal rate territories. As indicated, for the most part key rates have been prescribed; and, where distance scales are used, differentials for the higher-rated territories or zones are added to the underlying rate scale, or the intraterritorial scales are used as rate factors and differentials for the other territory are added. In the circumstances, the setting forth in full of any such scales would serve no useful purpose.

Between official and southern territories.—The early history of these rates generally is set forth in the original report in the southern revision (100 I. C. C. 513) at pages 550 to 566, and in supplemental reports in that revision. As to southern Virginia, North Carolina, Kentucky, and northeastern Tennessee, being the area in southern territory contiguous to official territory, it is further reviewed in reports in the so-called "border cases." [45]

The present adjustment generally consists of joint rates. Rates are on either a key or distance basis, maintained for the most part in accordance with the southern revision, and as to the area [46] bordering on official territory they are made pursuant to the subsequent border cases. Exceptions to the adjustment are the rates between Maine north of the extensive Portland group and southern territory below the border area, which are made on combinations.

Key rates apply to the extent prescribed in the southern revision between selected key points, and other places grouped therewith by the carriers, in trunk-line territory or New England and southern territory (not including the southern border area). We outlined the grouping of southern territory, including the Florida peninsula. The all-rail key rates were designed to reflect the influence of the more economical water transportation afforded by all-ocean or ocean-rail rates, which becomes less and finally disappears as the locations of the points are farther and farther inland.[47] F : that reason, part of

[45] *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.* (1935), 213 I. C. C. 259; *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.* (1935), 213 I. C. C. 297, and *East Tennessee Border Traffic Assn.* v. *Akron, C. & Y. Ry. Co.* (1936), 214 I. C. C. 316; and all three proceedings are embraced in the following supplemental reports: 218 I. C. C. 521, 229 I. C. C. 20, and 231 I. C. C. 453.

[46] This border area comprises southern Virginia, being that part of the State lying south of the Norfolk & Western Railway between Norfolk and Bristol, and south of the Virginian Railway between Norfolk and Roanoke; the States of North Carolina and Kentucky; and northeastern Tennessee, which embraces Johnson City, Kingsport, Elizabethton, Bluff City, Watauga, Piney Flats, and Bemberg.

[47] Key rates over ocean-rail routes were prescribed in the southern revision, between a majority of the eastern key-points and southern groups, in varying amounts lower than the all-rail key rates.

Tennessee was excluded from the southern territory groups accorded key rates, and was placed on the interterritorial distance basis.

The rates between official and southern territories, except key rates, are on the distance-basis formula prescribed in the southern revision, save that to and from the southern border area the rates are nearly all on the distance formula prescribed in the border cases. The formula combines the intraterritorial rate factors south of the Ohio River gateways for all distances, or south of Virginia gateways for southern points beyond the border area over direct routes, with the appropriate differentials for distances in official territory north of the gateways. Four scales of differentials are used dependent upon the varying distances in southern territory. As the distances in the South lengthen the differentials become relatively less. To and from points in the Florida peninsula the differentials previously described for distances in the peninsula are added.

Rates between official territory and the southern border area, except northeastern Tennessee, are on a distance formula like the one prescribed interterritorially to and from most of southern territory, but the factors south of the Ohio River and Virginia gateways, and the official territory differentials north thereof, are lower, and the distance spreads in the South that determine the use of the particular scale of such differentials are different. To and from the Tennessee points the rates are made by adding an arbitrary of 48 cents to the official territory differentials, with a slight modification in certain instances as to one of the points.

Differentials for distances in zone B in New England similar to those authorized in the eastern revision, are not included in the interterritorial rates between zone B in New England and southern territory. Differentials were authorized to and from points in Michigan, *Southern Class Rate Investigations*, 128 I. C. C. 567, 601, similar to those which are applied in determining first-class rates within central territory, and apparently zone C arbitraries are added in constructing class rates between zone C and southern territory.

Although certain points on the Chesapeake & Ohio Railway in Kentucky, and on the Norfolk & Western Railway in Virginia, are within the boundaries of southern territory, rates between them and official territory are discussed under this title of the report dealing with rates within the latter, because in the eastern revision they were treated with rates in official territory; and they are subject to official classification.

Between official and western trunk-line territories.—Rates, as then in effect, are described in the original report in the western trunk-line revision (164 I. C. C. 1), along with some history, at pages 36–42.

While the rates were mostly combinations of separately published factors, governed by either official or western classification, there were many important exceptions.

The bases prescribed in that original report for all-rail rates to and from the three western trunk-line rate zones previously described consisted of distance rates and key rates, depending upon the location in official territory of a given point respectively east or west of a line extending south across the southeastern corner of Michigan, thence the western boundary of Ohio. Interterritorial rates in both directions were required to be governed by western classification, but classification exceptions were not prescribed. Key rates were fixed in specific amounts, while the distance rates were prescribed according to the laminated formula employed for interzone rates within western trunk-line territory, but using as the underlying through scale the so-called basic scale.[48] The latter applied only in conjunction with the zone differentials. It was the same as the eastern scale through 85 miles, but, beyond, became higher gradually, and for all distance blocks through 1,500 miles was 106.4 percent of the eastern scale; and approximated 84 percent of the scale for western trunk-line zone I.

In order to avoid excessive "humps" in the interterritorial rates to and from points in the eastern portion of zone I, a reasonable grading into the interterritorial rates published on the normal basis was achieved by subjecting them as maxima to rates obtained by adding to the class 100 rates prescribed in the eastern revision east of those gateways a so-called bridge scale of arbitraries for distances through 17 miles. Through rates so arrived at for class 100, to which the lower classes were related by the same percentages as fixed within western trunk-line territory, were also governed by western classification.

Between the eastern and southeastern parts of Wisconsin outside zone I and official-Illinois territories the rates were prescribed on either the distance or key-point plan on the same bases as used in the eastern revision to and from the corresponding areas in zone C in Michigan and Illinois, respectively.

A general modification of the interterritorial rates, mostly upward, was required in the sixth supplemental report in the western trunk-line revision, and became effective August 20, 1935, simultaneously with the modified rates within western trunk-line territory. Included were the rates between the western trunk-line zones and the parts of eastern and southeastern Wisconsin previously described, but the rates between these parts of Wisconsin and official-Illinois territories were not altered. No change occurred in the dividing line

[48] The original basic scale extended through 2,200 miles, and the rates (prescribed prior to the general increase of 1938) for representative distances were, 5 miles 30 cents; 10 miles 43 cents; 100 miles 57 cents; 200 miles 78 cents; 400 miles 106 cents; 600 miles 134 cents; 1,000 miles 117 cents; 1,500 miles 228 cents; and 2,200 miles 298 cents.

between the areas in official territory to and from which key and distance rates were provided; but the revised interterritorial rates reflected modifications in the underlying basic scale relatively the same as were effected in the sixth supplemental report respecting the western trunk-line zone scales, as well as from changes in the zone differentials used according to the laminated formula. The revised basic scale to and including 85 miles remained unaltered and the same as the eastern scale, but for greater distances became relatively higher than the latter.[49] The aggregate of the class 100 rates for all distance blocks in the basic scale through 1,500 miles is 112.6 percent of the aggregate of the class 100 rates in eastern scale; and, correspondingly, 87.7 percent of the zone I scale.

Important features of the general revision effective August 20, 1935, were the changes required in the classifications and exceptions governing the interterritorial class rates, which were determined mainly by applying the destination-territory classification. Classification exceptions had not been embraced in the findings in the original report.[50] Rates made by the use of the bridge scale of arbitraries also were affected materially by these changes.

The specific bridge-scale arbitraries published separately between the eastern gateways of zone I and points within 170 miles thereof in that zone, for use in constructing alternate maximum through interterritorial rates, are governed by western classification and exceptions; and the same treatment is accorded points within 170 miles of the western boundary of the Northwest.[51] The rate factor applicable east of the gateway or boundary on a given shipment, to which the arbitrary is added, remains subject to official classification of a class rate. In contrast, the original report had provided such alternate maxima by addition of the class 100 arbitraries to the class 100 rate factors east of the gateways, which total was published in single amounts governed through by western classification; and the lower classes were related thereto by the western percentages.

Between official territory and southern Missouri.—Formerly combination rates based on the Mississippi River applied generally to and from official territory. In consequence of successive readjustments

[49] The revised basic scale extended through 2,400 miles, and the class 100 rates therein for representative distances were, 5 miles 30 cents; 50 miles 43 cents; 100 miles 57 cents; 200 miles 78 cents; 400 miles 109 cents; 600 miles 140 cents; 1,000 miles 191 cents; 1,500 miles 231 cents; and 2,400 miles 359 cents.

[50] The finding as to classification exceptions was rescinded in report on further hearing in *Western Trunk Line Class Rates* (1941), 246 I. C. C. 119.

[51] That boundary is formed by the Northern Pacific Railway from Duluth to Hinckley, Minn., thence the Great Northern Railway to Twin Cities, Minn., thence the Mississippi River to the northern State line of Illinois. The "Northwest" here contemplated embraces Minnesota east of the boundary described, Upper Michigan, and Wisconsin except the portions in extended zone C and Illinois territory. As stated in part I of this report, official classification governs class rates between the Northwest and official territory east of Illinois.

in interterritorial rates applying over routes through Missouri o traffic between official territory and points in Arkansas, Oklahom and Kansas, necessitated by compliance with findings in the sout western and western trunk-line revisions, and of expiration of reli from section 4 of the act which had permitted temporarily the maint nance of higher rates to and from intermediate points in Missouri, t carriers established joint rates between official territory east of Illino and southern Missouri. They are constructed approximately on t bases employed in the southwestern revision, except that to and fro points near the Kansas border and north of Cornell, Kans., the rat conform to the western trunk-line revision. Only a small part of th adjustment was protested upon publication, but was found justifi by division 2 in *Class Rates Between Missouri and Official Territo* (1940), 237 I. C. C. 451.

Between official and southwestern territories.—All-rail rates, as th existed in 1927, between so-called "defined territories" and other are on the one hand, and southwestern territory on the other, are di cussed at page 218 and elsewhere in the original report in the sout western revision (123 I. C. C. 203).

Except Illinois, most of which was then included in western defin territories, official territory consisted of eastern defined territori extending from Illinois through the Buffalo-Pittsburgh line, a trunk-line-New England territories east thereof. The outlines of t defined territories varied greatly, depending upon the parts of sout western territory to and from which the rates applied. From easte defined territories to southwestern territory generally rates were ma differentially over St. Louis, Mo., while in the opposite directi combinations on southwestern gateways[52] applied. Groups often large size obtained at both ends in connection with these rates, Tex common-point territory[53] generally having the same destination rat Wide disparities prevailed between the rates from defined territori Between trunk-line-New England and southwestern territories ra were generally combinations of flat rates, or flat rates and proportion rates, on southwestern gateways or Chicago, Ill.

The pattern of the rate bases above described to and from the easte defined territories was followed largely in the bases for interterritor rates in both directions prescribed in the original report in the sout western revision, as modified prior to the establishment of rates pu suant thereto. Rate factors were provided between base points official territory and the southwestern gateways, to which were add the factors fixed between the gateways and extensive groups th

[52] The southwestern gateways are: St. Louis, Cairo, Ill., Memphis, Vicksburg, Miss., New Orleans, La.

[53] Texas common-point territory comprised all of Texas east of Texas differen territory.

together comprised all of southwestern territory. These groups represented segments of roughly circular bands extending between two lines which were approximately indicated distances from a given gateway. Factors between such groups and gateways were made according to the measure of the rates prescribed in the southwestern revision within and between southwestern and Kansas-Missouri territories. Official territory points, other than those particularly named in the original report in that revision, were required to be either grouped with the base points or established as additional base points with which other points could be grouped, and to be supplied with rates in harmony with those prescribed for the base points named. The official territory rate factors reflected in some degree the differentials for that territory set forth in appendix Q to the original report in the southern revision. Joint rates on the bases prescribed became effective July 14, 1928.

These interterritorial rates were governed by western classification, and the percentage relations between the classes prescribed were the same as stated herein for the rates within southwestern territory resulting from the original report, as modified, in the southwestern revision.

In the twenty-first, as modified by the twenty-second, supplemental report in the southwestern revision, the rate pattern was changed as a result of the reopening of that revision for the purpose of interrelating the adjustment therein with that in the western trunk-line revision. Key rates were prescribed between key points in southwestern territory and key points in official territory, except the parts of Illinois and Indiana south of a line from St. Louis to Cincinnati, Ohio. To and from these excepted parts rates on distance bases were ordered, which were constructed on the laminated formula by using the basic rate scale for the entire distances and adding appropriate mileage differentials for distances within the zones in western trunk-line and southwestern territories.

All these readjusted interterritorial rates were required to be governed by western classification, and the percentage relations fixed between the classes were the same as those in the contemporaneous readjustment of rates within southwestern territory. They became effective April 9, 1937.

The rates described to and from points in zone IV were voluntarily reduced by the carriers on August 16, 1941, in amounts equal to the appropriate zone IV differentials, contemporaneously with like action within southwestern territory.

Between southern and western trunk-line territories.—A brief history of the rates between western trunk-line and southern territories prior to 1930 appears in the original report in the western trunk-line

revision (164 I. C. C. 1) at pages 42 and 43. The rate adjustment existing in 1938 between this western territory, including southern Missouri, and the South is described in the original report in the western-southern revision (226 I. C. C. 497) at pages 501 and 502. With important exceptions, the rates were then generally made by combinations of rate factors, usually on the Ohio and Mississippi River crossings, Virginia cities, or Chicago or other interior points in Illinois. For example, rates between most of Kansas-Missouri territory [84] and the South, which were approved in the original report, as modified, in the southwestern revision, were through one-factor rates, having become effective April 9, 1937.

On June 7, 1939, through one-figure rates were established between western and southern territories on the basis of the full line of key rates prescribed in the western-southern revision. Because the two territories are not closely contiguous over railroad routes, the fine grading afforded by distance scales was not deemed necessary, and no scale was prescribed; but we suggested that carriers themselves provide reasonable grading near the gateways where essential in order to avoid rate bumps.

As in the case of key rates fixed in other proceedings, the initial guides were the amounts produced by the distance method applied according to the laminated formula. The scales of rates and differentials used therefor were the same as prescribed in the other class-rate revisions for the respective territories and zones traversed, the rate level employed for the South being the same as that for western trunk-line zone II.

From western trunk-line territory to the South rates were required to be governed by southern classification, and by western classification in the opposite direction.

Between southern and southwestern territories.—The rate structure in existence in 1927 is outlined in the original report in the southwestern revision as one of the several interterritorial adjustments. Reference thereto has been made in the portion of this report dealing with history of the rates between official and southwestern territories. Explanations there made of a general nature as to the adjustments, particularly those regarding rates from defined territories, are pertinent here. The South was then contained in the southeastern defined territories. Rates from the latter to southwestern territory usually were made differentially over St. Louis, but sometimes over Mississippi River crossings south thereof. East-bound, combinations of rates on that river applied.

[84] Kansas-Missouri territory was described in the southwestern revision as comprising all of Kansas, and Missouri south of the Missouri River, except St. Louis and Kansas City.

In the original report, as modified, in the southwestern revision, the method of constructing these interterritorial rates was like that employed for rates to and from official territory, previously described herein, including the same percentage relations between the classes, all governed by western classification. The same groups and rate factors were used between southwestern territory and the gateways of Memphis, Vicksburg, Miss., and New Orleans, La., to which were added the factors named between the gateways and specified base points throughout southern territory, except the Florida peninsula, to and from which no joint rates were provided. Effective July 14, 1928, joint rates in accordance with this outline were established.

The rates described in the next-preceding paragraph were superseded on April 9, 1937, by joint rates prescribed in the twenty-first, as modified by the twenty-second, supplemental report in the southwestern revision. We followed a plan similar to that employed in the same reports respecting rates between southwestern and official territories. Key rates were prescribed between named key points in southwestern territory and in southern territory on and east of an irregular line drawn southwardly through Louisville and Bowling Green, Ky., Nashville, Tenn., Decatur, Birmingham, Montgomery, and Dothan, Ala., and Tallahassee, Fla. To and from points west of that line the carriers were required to compute rates on the distance basis according to the laminated formula, using the same scales of rates and differentials as had been prescribed within southwestern territory, and treating the southern-territory area as on the same rate level as western trunk-line zone II. Western classification continued to govern these interterritorial rates. Percentage relations between the classes were the same as required for the contemporaneous readjustments of rates within southwestern territory. Again no rates were fixed to and from the Florida peninsula.

As in the case of other rates resulting from the southwestern revision, the zone IV differentials were removed on August 16, 1941.

Between western trunk-line and southwestern territories.—The Dakotas, eastern Colorado, and the Cheyenne corner of Wyoming were not within the interterritorial scope of the southwestern revision. They will be discussed apart from the portion of western trunk-line territory affected by that revision, which did include southern Missouri as to interterritorial rates.

Between western trunk-line territory affected by the southwestern revision and southwestern territory the rates in 1927 were on various bases, as described at page 217 and elsewhere in the original report of that revision. The principal bases were: To and from western

defined territories[55] (the affected area north of Kansas-Missou territory, except the portions of Nebraska and Minnesota outside defined territories) the rates were extensively grouped and usual constructed differentially over St. Louis, but rates to and from Tex common-point territory[56] (which generally was blanketed under t same rates) were mostly joint rates; to and from the lower Missou River cities (Kansas City to St. Joseph, Mo., inclusive) specific ra applied that roughly increased with distance, but here common-poi territory was divided into two groups of which the Dallas-Fort Wo group comprised northeast Texas; and Texas-Oklahoma differenti territory rates were made by adding differentials to the commo point rates. Between southwestern and Kansas-Missouri territor the rates were made generally on certain distance scales that w widely divergent.

To and from the portions of Nebraska and Minnesota not embra in western defined territories, rates were combinations made o Missouri River cities or other points within those territories, amo the most important being the Twin Cities, Minn., and Sioux C Iowa.

The rates described above (except those covered in the next prec ing paragraph) were displaced on July 14, 1928, by rates on ba prescribed in the original report in the southwestern revision, modified. They were: Between southwestern and Kansas-Misso territories, rates computed point to point on the original southwest scale, plus the 20 percent differentials for any distances in Te Oklahoma differential territory; and to and from the remainder[57] affected western trunk-line territory, rates constructed by adding specified rate factors between the southwestern groups[58] and gateways of Kansas City or St. Louis the rate factors named betw the gateways and base points north thereof. Factors south of gateways reflected the increments for Texas-Oklahoma differen territory. The aggregated factors were published at joint rates, were governed by western classification. Percentage relations tween the classes were the same as stated in the part herein dea with rates within the southwestern territory.

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[55] Western defined territories embraced southeastern Nebraska and southern and eastern Minnesota, including the Twin Cities, but not that part of western trunk-line tory north and west thereof.

[56] All of Texas east of Texas differential territory.

[57] This remainder included points on, east, and south of a line commencing at D Minn., and extending roughly through Hinckley, St. Cloud, and Pipestone, Minn., Falls, S. Dak., Sioux City, and Emerson, Oakland, Fremont, Grand Island, and L Nebr., to the Nebraska-Kansas State line on which it continued to the Missouri thence to the Mississippi River.

[58] These groups were devised in the original report in the southwestern revision, a described herein in connection with the interterritorial rates between official southwestern territories.

Although rates to and from the parts of Nebraska and Minnesota outside of western defined territories were also in issue, no bases therefor were prescribed in the original report in the southwestern revision, and carriers did not undertake to establish joint rates coincidently with the rates made effective July 14, 1928. However, they did extend joint rates on July 15, 1932, to and from Nebraska on the original southwestern scale on a point to point basis; and on November 20, 1933, they extended joint rates to and from northern Minnesota, but on bases somewhat higher than that scale, and the points were grouped.

Like other interterritorial rates to and from southwestern territory, the rates from and to affected western trunk-line territory, including all of Nebraska and Minnesota, were changed effective April 9, 1937, to conform to the pattern prescribed in the twenty-first, as modified by the twenty-second, supplemental report in the southwestern revision. Key rates were provided throughout, including the Missouri River cities and St. Louis, but excepting Kansas-Missouri territory. To and from Kansas-Missouri territory, except the Kansas points on the Missouri River, distance rates were required to be constructed according to the laminated formula applied to the scales of rates and differentials prescribed for the respective zones.[59] Such distance rates applied from point to point, except that to and from zone II, for distances greater than 200 miles, the points were grouped and specified rates were required. The latter method was extended to all points beyond 200 miles in zone III of Kansas-Missouri territory on June 7, 1939. Percentage relations fixed between the classes were the same as herein stated for rates within southwestern territory that were established April 9, 1937.

The zone IV differentials were eliminated from these rates on August 16, 1941.

Coming to the part of western trunk-line territory beyond the interterritorial scope of the southwestern revision: Prior to November 20, 1933, combination rates applied between southwestern territory and the Dakotas, made generally over the Twin Cities, Sioux City, or Sioux Falls, S. Dak. On that date the carriers established joint rates to and from grouped points which, as to South Dakota, were made on about the original southwestern scale, but, as to North Dakota, were made somewhat higher than the scale.

Between most Colorado stations on and east of the Colorado common-point line, including Cheyenne, Wyo., and southwestern territory, joint rates were applicable for some years prior to July 1, 1934, the basis for which does not appear. They were then replaced, by action

[59] All zones in these territories were described in the twenty-first supplemental report in the southwestern revision.

of the carriers, by joint rates on approximately the original southwestern scale.

Effective April 9, 1937, to and from the Dakotas, and May 31, 1937, to and from eastern Colorado and Wyoming described above, the rates were changed to reflect bases similar to those that had been prescribed for affected western trunk-line territory in the twenty-first and twenty-second supplemental reports in the southwestern revision.

The rates were governed by western classification. Percentage relations between the classes were made to correspond with the original and modified adjustments in the southwestern revision, respectively. On August 16, 1941, the zone IV differentials were removed from the rates to and from that zone.

DISTRIBUTION OF NATURAL RESOURCES AND ECONOMIC DEVELOPMENT OF THE FIVE PRINCIPAL FREIGHT RATE TERRITORIES

Irrespective of whether freight rates are or have been responsible for differences in the growth and development of the different freight rate territories, it seems reasonable to assume that both freight rates and the material prosperity of the population of these rate areas have been associated in some degree with the natural resources within their boundaries. We will therefore examine the distribution of the natural resources of the five principal freight-rate territories (official, southern, western trunk-line, southwestern, and mountain-Pacific).

Minerals.—The distribution of available iron ore reserves is shown by the following table:

Iron ore reserves of the United States by freight-rate territories, 1935 (approximate)

Territory	Amount in millions of tons of 2,240 pounds	Percent United St
Official	147	
Southern	2,120	
Western trunk-line	1,450	
Southwestern	200	
Mountain-Pacific	71	
United States	3,988	1

The distribution of copper reserves is shown by the following tab

Reserves of metallic copper, by freight-rate territories, 1936

Territory	Tons	Percent United S
Official	120,000	
Southern	335,000	
Western trunk-line, including Michigan		
Southwestern	24,884,000	
Mountain-Pacific		
	[1] 25,339,000	

[1] Does not include 800,000 tons of copper in mines whose location is not shown in the table.

The distribution of lead and zinc reserves is shown by the following table:

Lead and zinc reserves, by freight-rate territories, 1936

Territory	Lead	Zinc
	Short tons	*Short tons*
Official	85,000	2,940,000
Southern	90,000	510,000
Western trunk-line	1,696,000	1,516,800
Southwestern	193,560	4,483,200
Mountain Pacific	1,237,158	2,713,580
Total	3,302,158	12,163,580
	Percent of total	*Percent of total*
Official	2.57	24.17
Southern	2.73	4.19
Western trunk-line	51.37	12.47
Southwestern	5.86	36.86
Mountain Pacific	37.47	22.31
Total	100.00	100.00

Reserves of metallic minerals, however, are not confined to the existing ore reserves. The processes of production have built up large reserves of these metals in the various finished products into which they enter. This is particularly true with respect to iron and steel, copper, lead, and to a lesser extent, with respect to zinc.

In 1936, reserves of iron and steel represented in products in use aggregated in excess of 1 billion tons. No estimates of secondary reserves for the other metals are available. For the period 1914 through 1939, however, the average ratio of secondary production to primary production for copper was 58.24 percent; for lead, 41.01 percent; and for zinc from 1914 through 1934, 29.45 percent.

Official territory greatly outranks all other territories in the proportion of semidurable and durable commodities which constitute the more important sources of the secondary metal supply. Depending on whether Michigan and Virginia are excluded or included, official territory is estimated to contain between 60 and 62 percent of the manufacturing establishments, between 44 and 46 percent of the hotel rooms, 59 and 61 percent of the office, trade, and other business structures, 50 and 52 percent of the dwelling units, 48 and 50 percent of the motor vehicles, 56 and 58 percent of the miles of wire in cable, and 64 and 66 percent of the miles of all wire of telephone companies. This territory is somewhat less important relatively in its secondary metal reserves represented by railway plant and equipment, which is one of the most important sources of secondary metal. Although this territory had between 28 and 31 percent of the miles of road, it does not greatly outrank the western trunk-line territory in this respect, although very much above all three of the other rate territories. However, class I railroads of the eastern district, which roughly coincides with official territory, owned between 41 and 46 percent of steam loco-

motives and a majority of the steel or steel underframe passenger-train cars in 1938. These roads also owned more than half of the steel and steel underframe freight-train cars if the Pocahontas region is included with the eastern district, and nearly 47 percent if it is excluded.

The following table shows the value of the products of all mineral industries for 10-year periods 1902 to 1939:

All mineral industries: Value of products by freight-rate territories, 1902–39

Period	Territory											
	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific		United States	
	1,000 dollars		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*	
Year 1902	454,223		50,866		128,229		14,609		148,890		796,818	
Year 1909	625,457		72,191		203,351		47,358		262,825		1,209,092	
Year 1919	1,526,902		228,096		394,179		479,702		493,680		3,122,559	
Year 1929	1,385,854		261,221		405,722		1,179,270		1,010,350		4,244,932	
Year 1939	1,074,824		214,126		291,685		897,017		725,238		3,220,929	
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Year 1902		57.0		6.4		16.1		1.8		18.7		100.0
Year 1909	37.3	51.6	41.7	6.0	58.6	16.8	224.2	3.9	76.5	21.7	51.7	100.0
Year 1919	144.9	48.9	216.4	7.3	93.8	12.6	912.9	15.4	87.8	15.8	158.3	100.0
Year 1929	[1] 9.2	32.6	14.5	6.1	2.9	9.6	145.8	27.8	104.7	23.8	35.9	100.0
Year 1939	[1] 22.4	33.4	[1] 18.0	6.6	[1] 28.1	9.1	[1] 23.9	27.8	[1] 28.2	22.5	[1] 24.1	100.0

[1] Decrease.

Energy.—The term "energy resources" as ordinarily used refers to water power, a replenishable source of energy, and to the minerals from which energy is usually derived, coal, petroleum, and natural gas, or presumably nonreplenishable sources.

The decline in the coal industry in recent years (prior to World War II) has been due in part to the extensive substitution of other forms of energy generation for coal, but also to the amazing strides that have been made in increasing the efficiency of coal utilization. Coal has been losing ground relatively since the early part of this century, though the actual quantities mined continued to increase until 1918. At the peak of consumption which occurred in that year (under the stimulus of World War I) coal supplied 82 percent of the total energy derived from minerals and water power. By 1929 the proportion was down to 63 percent, and by 1937, to 54 percent. Since 1923 and until World War II the industry had been in a state of almost continuous depression. Despite this fact, coal remains the principal energy source, petroleum, natural gas, and water power following in the order named.

In 1937 the Bureau of Mines placed the supply of energy derived from coal at 12,977 trillion b. t. u. as against 7,666 trillion from domestic petroleum and 2,526 trillion for natural gas, or a total of 10,357 trillion for the latter two. It is apparent, therefore, that in this fairly active industrial year, energy derived from coal exceeded the combined total from petroleum and natural gas by substantially 2,500 trillion units or more than 25 percent. So far as reserves are concerned, coal represents practically 99 percent of the total heat value of the nonreplenishable mineral sources of energy.

Water power represents only a small fraction of the total energy supply. The Bureau of Mines estimates that our total use of energy in 1937 was equivalent to 24,183 trillion b. t. u.; water power, included in terms of prevailing use of fuels in generating power at central electric stations, is estimated to have supplied 849 trillion, or 3.51 percent of the total.

For the nonreplenishable energy resources, coal, oil, and gas, estimates of the total reserves have frequently been made and the data are in such form that approximate geographical distributions of these reserves can be made by freight rate territories. Because of the location of the fields, all of the Virginia reserves have been included in southern territory, although more than half of the area of that State lies in official territory. The total production of Colorado has been included in mountain-Pacific territory. The distribution of coal reserves as of January 1, 1937, is shown by the following table:

Distribution of reserves of coal, by freight-rate territories, Jan. 1, 1937

Territory	Bituminous and semibituminous	Subbituminous	Lignite	Anthracite
	Quantity (tons of 2,000 pounds)			
ficial	602, 389, 366, 000			14, 589, 460, 000
outhern	235, 892, 383, 000			488, 976, 000
estern trunk-line	142, 027, 579, 000		600, 985, 153, 000	
outhwestern	64, 033, 017, 000		23, 018, 747, 000	222, 695, 000
ountain-Pacific	364, 365, 943, 000	818, 083, 894, 000	315, 473, 843, 000	114, 471, 000
United States	1, 407, 808, 291, 000	818, 083, 894, 000	939, 457, 443, 000	15, 415, 602, 000
	Percent distribution			
ficial	42.79			94.64
outhern	16.70			3.17
estern trunk-line	10.09		63.97	
outhwestern	4.55		2.45	1.45
ountain-Pacific	25.87	100.00	33.58	.74
United States	100.00	100.00	100.00	100.00

The foregoing table shows very clearly the heavy preponderance the total reserves of bituminous and semibituminous coal in official rritory, this area possessing between 40 and 45 percent of the total r the United States or approximately as much as southern and

mountain-Pacific territories combined. Also, official territory possesses a practical monoply of the anthracite reserves.

The following table contains estimates of petroleum reserves for selected years by freight-rate territories:

Selected estimates of proven reserves of petroleum, 1925–39

Territory	1925	1934	1935	1937	1938	1939
	Thousands of barrels of 42 gallons					
Official	393, 800	415, 000	601, 000	531, 241	432, 471	382, 6[illegible]
Southern	78, 974	30, 000	50, 000	38, 846	38, 366	37, 5[illegible]
Western trunk-line	314, 501	194, 000	390, 000	360, 000	607, 017	611, 2[illegible]
Southwestern	2, 027, 153	6, 894, 000	8, 494, 000	10, 470, 915	12, 272, 422	11, 538, 6[illegible]
Mountain-Pacific	2, 807, 299	5, 825, 300	4, 097, 000	4, 225, 188	4, 450, 563	4, 373, 3[illegible]
Total	5, 321, 427	13, 358, 300	13, 632, 000	15, 856, 190	17, 750, 839	17, 343, 1[illegible]
	Percent of United States totals					
Official	7.4	3.1	4.4	3.4	2.4	2.[illegible]
Southern	1.5	.2	.4	.2	.2	.[illegible]
Western trunk-line	5.9	1.5	2.9	3.7	3.4	3.[illegible]
Southwestern	38.1	51.6	62.3	66.0	68.[illegible]	66.[illegible]
Mountain-Pacific	47.1	43.6	30.0	26.7	25.1	24.[illegible]
Total	100.0	100.0	100.0	100.0	100.0	100.[illegible]

Outside southwestern and mountain-Pacific territories the petroleum reserves are relatively small. Southwestern territory, with 68 percent of the total in 1939, is outstanding in its possession of proven petroleum reserves, and this territory together with the mountain-Pacific territory had 92.9 percent of the total, in 1939. None of the foregoing estimates include any allowances for oil production from oil shales or from coal.

Approximately one-half of the natural-gas reserves of the United States shows practically the same geographical distribution as the petroleum reserves. This is because approximately one-half of the natural gas is produced with oil, the gas being the soure of energy which brings the oil to the surface. Natural gas, however, is also found in many areas which do not produce petroleum, and larger volumes of gas are also being found with petroleum oil discovered and produced from progressively greater depths. The approximate distribution of natural gas reserves by freight-rate territories is as follows:

Territory	Trillion cubic fe[illegible]
Official	[illegible]
Southern	[illegible]
Western trunk-line	[illegible]
Southwestern	[illegible]
Mountain-Pacific	[illegible]
	[illegible]

The distribution of total energy of mineral fuel resources is shown by the following table:

Distribution of total energy of mineral fuel resources by freight-rate territories, Jan. 1, 1937 (in trillions of B. t. u.)

Territory	All coal	Petroleum	Natural gas	All minerals	
				Total	Percent of United States
Official	16,136,942	3,187	6,450	16,146,579	25.1
Southern	6,171,296	233	3,225	6,174,754	9.6
Western trunk-line	11,422,143	3,540	11,825	11,437,508	17.8
Southwestern	1,978,046	62,825	44,075	2,084,946	3.2
Mountain-Pacific	28,451,354	25,351	41,925	28,518,630	44.3
United States	64,159,781	95,136	107,500	64,362,417	100.00

The following table shows the water-power resources both actual and potential:

Water-power resources and energy production, by freight-rate territories

Territory	Potential water power, 1936 [1]		Capacity of installed water wheels 1937 [2]	Production of electric energy, 1937 [3]		
	Available 90 percent of the time	Available 50 percent of the time		Hydro	Fuel	Total
	Horsepower, thousands			Thousands of kilowatt-hours		
Official [4]	7,686	10,741	5,966	15,283,709	56,757,208	72,040,917
Southern [5]	4,328	6,094	3,888	8,261,194	3,376,746	11,637,940
Western trunk-line [6]	1,466	2,391	1,356	2,843,981	7,602,062	10,446,043
Southwestern [7]	764	967	149	261,215	6,126,569	6,387,784
Mountain-Pacific [8]	28,509	36,991	5,761	17,051,901	3,485,045	20,536,946
Total	42,753	57,184	17,120	43,702,000	77,347,630	121,049,630
	Percent of United States totals					
Official [4]	17.98	18.79	34.85	34.97	73.38	59.51
Southern [5]	10.12	10.66	22.71	18.90	4.37	9.61
Western trunk-line [6]	3.43	4.18	7.92	6.51	9.83	8.63
Southwestern [7]	1.79	1.69	.87	.60	7.92	5.28
Mountain-Pacific [8]	66.68	64.68	33.65	39.02	4.50	16.97
Total	100.00	100.00	100.00	100.00	100.00	100.00

[1] Potential water power in the United States, U. S. Department of the Interior (mimeographed), Aug. 20, [illegible].

[2] U. S. Department of the Interior, Geological Survey.

[3] Federal Power Commission, Electric Power Statistics, 1937. Production for strictly private use not [illegible], but electric railways, electrified sections of steam railways, and miscellaneous Federal and other [illegible] serving Government or public are included.

[4] Including Michigan and Virginia and excluding Wisconsin. The exclusion of the highly industrialized [illegible]ern portion of Wisconsin from official territory somewhat underestimates the importance of this territory.

[5] Excluding Virginia and Louisiana.

[6] Including Wisconsin and excluding Colorado.

[7] Including Louisiana.

[8] Including Colorado.

Mountain-Pacific and official territories are outstanding in the production of hydro electric energy and also in the horsepower of installed [illegible] I. C. C.

water wheels. Together they account for over 70 percent of the hydroelectric energy and around two-thirds of the capacity of installed water wheels. Southern territory ranks third in hydroelectric production and capacity of installed water wheels.

Agriculture.—The following table shows the gross farm income from crops and livestock in 1939:

Gross farm income from crops and livestock, by freight-rate territories, 1939

Territory	Crops	Livestock and livestock products	Total
	1,000 dollars		
Official	945,964	1,814,350	2,760,314
Southern	933,632	574,475	1,508,107
Western trunk-line	615,896	1,762,524	2,378,420
Southwestern	510,388	513,965	1,024,353
Mountain-Pacific	656,395	634,306	1,290,701
United States	3,662,265	5,299,620	8,961,885
	Percent of territory totals		
Official	34.27	65.73	100.00
Southern	61.91	38.09	100.00
Western trunk-line	25.90	74.10	100.00
Southwestern	49.83	50.17	100.00
Mountain-Pacific	50.86	49.14	100.00
United States	40.86	59.14	100.00
	Percent of United States totals		
Official	25.83	34.23	30.81
Southern	25.49	10.84	16.83
Western trunk-line	16.82	33.26	26.54
Southwestern	13.94	9.70	11.43
Mountain-Pacific	17.92	11.97	14.40
	100.00	100.00	100.00

The highly industrialized character of official territory should not obscure the fact that it is at the same time an important agricultural area. For example, in 1939 the gross farm income of the United States aggregated 8.96 billion dollars, of which official territory produced 2.76 billion, or approximately 31 percent. Western trunk-line territory was a close second, accounting for 2.38 billion, or approximately 27 percent of the total, and was followed by the southern, mountain-Pacific, and southwestern rate areas in the order named. No one of these last three areas, however, produced as much as 17 percent of the United States total.

Agricultural resources as measured by the quality of the land is shown by a grading of all the land of the United States according to its productivity for crop production. The method used attempts to take into consideration all the principal physiographical conditions

influencing productivity such as soil type, topography, rainfall, and temperature.

Land area classified according to its productivity,[1] by freight-rate territories, 1934

[Percent of United States totals (1,000 acres)]

Grade	Territory					United States total
	Official	Southern	Western trunk-line	South-western	Mountain-Pacific	
Grouping A[2]						
Excellent	27.13	2.65	63.78	5.97	0.47	100.00
Good	25.37	10.61	41.91	20.47	1.64	100.00
Fair	20.64	21.50	23.68	25.10	9.08	100.00
Excellent to fair	23.15	15.12	35.68	20.68	5.37	100.00
Poor	18.24	21.23	18.91	17.79	23.83	100.00
Incapable of tillage	6.24	6.99	6.69	8.47	71.61	100.00
All grades	14.38	12.51	19.05	14.47	39.59	100.00
Grouping B[2]						
Excellent	24.90	3.93	66.00	4.70	.47	100.00
Good	19.39	13.75	46.30	19.06	1.50	100.00
Fair	16.40	26.31	27.27	22.98	7.04	100.00
Excellent to fair	18.67	18.85	39.32	18.91	4.25	100.00
Poor	14.23	20.68	24.69	14.36	20.04	100.00
Incapable of tillage	4.13	8.17	13.33	7.90	66.47	100.00
All grades	11.08	15.39	24.48	12.94	36.11	100.00

[1] Graded according to ability to produce without irrigation, or without additional drainage.
[2] The variation between grouping A and grouping B is due to a difference in the allocation of States divided by freight-rate territory boundaries as follows:

State	Grouping A	Grouping B
Michigan	Official	Western trunk-line.
Wisconsin	Western trunk-line	Western trunk-line.
Virginia	Official	Southern.
Louisiana	Southwestern	Southern.
Colorado	Mountain-Pacific	Western trunk-line.

The total land area and its uses in agriculture is shown by the following table:

Land area, by uses and freight-rate territories,[1] 1940

[Percent of United States totals (acres)]

Item	Territory					United States total
	Official	Southern	Western trunk-line	South-western	Mountain-Pacific	
Cropland in farms	19.76	14.30	40.18	15.32	10.44	100.00
Plowable pasture in farms	21.20	15.77	34.39	15.53	13.11	100.00
Potential cropland	20.11	14.67	38.75	15.37	11.10	100.00
Other land in farms	10.69	12.98	21.04	22.22	33.07	100.00
Total land in farms	13.40	13.82	29.90	18.79	22.09	100.00
Other land	11.16	12.54	9.86	8.45	58.29	100.00
Total land area[2]	13.52	13.25	20.89	14.22	38.12	100.00

[1] Data for States divided by freight-rate territories were apportioned on the basis of county figures as shown in the Census reports of 1930. At the time this table was prepared, county figures were not released for the Census of 1940.
[2] Total land area as of 1930.

The total land in farms shown in the foregoing table does not represent all the land devoted to agricultural uses because there is an enormous proportion of the total land area of the United States outside of land in farms which is used for pasture. This acreage aggregates 31 percent of the total land area of the United States and is located for the most part, as of 1930, in the three western freight-rate territories, more particularly in the mountain-Pacific territory. The acreages of these pasture lands for the western freight-rate territories, as of 1930, are as follows:

Territory	Pasture not in farms (1,000 acres)	Land area (1,000 acres)	Percent of land area
Western trunk-line	15,637	397,619	3.9
Southwestern	56,427	270,528	20.9
Mountain-Pacific	358,530	726,480	49.4
Total	430,594	1,393,627	30.9

The following table shows the production of livestock, poultry, and related products on farms:

Livestock and poultry—production on farms, by freight-rate territories, 1939

[Percent of United States totals]

Item	Territory					United States total
	Official	Southern	Western trunk-line	Southwestern	Mountain-Pacific	
Cattle and calves	21.83	8.01	30.51	15.54	15.08	100.00
Sheep and lambs	14.99	4.75	25.17	10.69	44.40	100.00
Hogs	29.35	12.62	46.92	7.85	3.26	100.00
Milk and milk products	36.18	9.82	35.76	7.87	10.37	100.00
Wool	12.56	2.39	15.35	21.30	48.40	100.00
Mohair			1.06	85.31	13.63	100.00
Chickens	34.99	17.47	29.71	10.65	7.18	100.00
Chicken eggs	37.87	11.93	29.99	10.27	9.94	100.00
Turkeys	20.08	6.45	33.54	17.03	22.90	100.00

The following table shows the value of all farm products by freight-rate territories at 10-year periods 1899 to 1939, with the percents of increase and the percents of the United States totals:

Value of all farm products by freight-rate territories, 1899–1939

Period	Territory										United States
	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific		
	1,000 dollars		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*
Year 1899	1,304,671		685,823		1,087,915		402,137		261,883		3,742,129
Year 1909	2,021,385		1,150,725		2,148,291		683,340		495,289		6,808,000
Year 1919	4,760,839		3,159,729		5,342,134		2,194,303		1,539,921		16,996,926
Year 1929	3,161,325		2,117,559		3,569,744		1,465,208		1,605,119		11,923,801
Year 1939	2,657,625		1,622,740		2,464,479		1,068,602		1,307,164		9,120,610
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Per cent	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*
Year 1899		34.9		18.3		29.1		10.7		7.0		100.0
Year 1909	54.9	31.1	69.2	17.8	97.5	33.0	69.9	10.5	89.1	7.6	73.9	100.0
Year 1919	135.5	28.0	172.5	18.6	148.7	31.4	221.1	12.9	210.9	9.1	161.2	100.0
Year 1929	¹ 33.6	26.5	¹ 33.0	17.8	¹ 33.2	29.9	¹ 33.2	12.3	¹ 4.2	13.5	¹ 29.8	100.0
Year 1939	¹ 15.9	29.2	¹ 23.4	17.8	¹ 31.0	27.0	¹ 27.1	11.7	¹ 18.6	14.3	¹ 23.5	100.0

¹ Decrease.

Timber.—The distribution of forest resources between freight rate territories is shown by numerous tables, the most significant of which is the following:

Stand of saw timber on commercial forest land by character of growth and by freight-rate territories, 1938

[Percent of United States totals (million board feet)]

Materials	Territory					United States total
	Official	Southern	Western trunk line	Southwestern	Mountain-Pacific	
GROUPING A ¹						
Softwoods:						
Old growth	2.54	3.30	0.59	1.16	92.41	100.00
Second growth	9.92	32.07	2.37	12.72	42.92	100.00
Total softwoods	4.20	9.79	.99	3.78	81.24	100.00
Hardwoods:						
Old growth	28.24	40.70	6.90	24.16		100.00
Second growth	36.95	32.83	9.16	17.96	3.10	100.00
Total hardwoods	33.38	36.06	8.23	20.50	1.83	100.00
Total saw timber	8.68	13.82	2.10	6.34	69.06	100.00
GROUPING B ¹						
Softwoods:						
Old growth	1.71	3.90	1.20	0.78	92.41	100.00
Second growth	6.68	38.25	3.11	9.04	42.92	100.00
Total softwoods	2.83	11.65	1.63	2.65	81.24	100.00
Hardwoods:						
Old growth	12.46	56.93	19.00	11.61		100.00
Second growth	29.03	44.61	12.63	10.63	3.10	100.00
Total hardwoods	22.28	49.66	13.25	11.03	1.83	100.00
Total saw timber	5.81	17.48	3.72	3.93	69.06	100.00

¹ The variation between Grouping A and B is due to a difference in the allocation of States divided by freight-rate territory boundaries as follows:

State	Grouping A	Grouping B
Michigan	Official	Western trunk line.
Wisconsin	Western trunk line	Western trunk line.
Virginia	Official	Southern.
Louisiana	Southwestern	Southern.
Colorado	Mountain-Pacific	Mountain-Pacific.

Manufacturing.—The economic development of the United States by freight-rate territories is indicated by the following table showing the value of products of all manufacturing industries.

All manufacturing industries: Value of products by freight rate territories, 1899–1939

[For all establishments, including hand and neighborhood industries, having products valued at $500 or more in year 1899. For all establishments, excluding hand and neighborhood industries, having products valued at $500 or more in 1909, and $5,000 or more in later years]

Period	Territory										United States
	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific		
	1,000 dollars		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*
Year 1899	9,725,850		812,790		1,613,949		296,771		550,789		13,000,149
Year 1909	14,988,970		1,455,927		2,524,248		625,443		1,077,464		20,672,052
Year 1919	44,508,154		4,517,728		7,309,672		2,277,861		3,804,664		62,418,079
Year 1929	49,135,105		5,413,010		7,840,136		2,802,092		5,244,520		70,434,863
Year 1939	38,550,160		5,685,323		5,641,327		2,567,821		4,398,394		56,843,025
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Per cent	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*
Year 1899	------	74.8	------	6.3	------	12.4	------	2.3	------	4.2	------	100.0
Year 1909	54.1	72.5	79.1	7.1	56.4	12.2	110.7	3.0	95.6	5.2	59.0	100.0
Year 1919	196.9	71.3	210.3	7.2	189.6	11.7	264.2	3.7	253.1	6.1	201.9	100.0
Year 1929	10.4	69.8	19.8	7.7	7.3	11.1	23.0	4.0	37.8	7.4	12.8	100.0
Year 1939	[1] 21.5	67.8	5.0	10.0	[1] 28.0	9.9	[1] 8.4	4.5	[1] 16.1	7.8	[1] 19.3	100.0

[1] Decrease.

The following table shows the value added by manufacture of all manufacturing industries:

All manufacturing industries: Value added by manufacture, by freight-rate territories, 1899–1939

[For all establishments, including hand and neighborhood industries, having products valued at $500 or more in year 1899. For all establishments, excluding hand and neighborhood industries, having products valued at $500 or more in 1909 and $5,000 or more in later years]

Period	Territory										United States
	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific		
	1,000 dollars		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*
Year 1899	4,346,034		364,490		603,515		116,728		225,754		5,656,521
Year 1909	6,331,947		662,871		855,546		243,312		435,585		8,529,261
Year 1919	18,701,077		1,880,300		2,229,407		729,867		1,501,053		25,041,704
Year 1929	23,235,038		2,587,014		2,942,164		950,462		2,170,606		31,885,284
Year 1939	17,616,297		2,325,207		2,140,344		823,700		1,777,370		24,682,918
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Pct.	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*
Year 1899	------	76.8	------	6.4	------	10.7	------	2.1	------	4.0	------	100.0
Year 1909	45.7	74.2	81.9	7.8	41.8	10.0	108.4	2.9	92.9	5.1	50.8	100.0
Year 1919	195.3	74.7	183.7	7.5	160.6	8.9	200.0	2.9	244.6	6.0	193.6	100.0
Year 1929	24.2	72.9	37.6	8.1	32.0	9.2	30.2	3.0	44.6	6.8	27.3	100.0
Year 1939	[1] 24.2	71.4	[1] 10.1	9.4	[1] 27.3	8.7	[1] 13.3	3.3	[1] 18.1	7.2	[1] 22.6	100.0

[1] Decrease.

Population and gainful workers.—The economic development of the freight-rate territories is further shown by the following tables showing total population and the total gainful workers:

Total population of the United States by freight-rate territories, 1900–1940

Period	Territory										United States
	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific		
Year 1900	37,573,531		15,380,940		12,956,165		6,532,290		3,551,649		75,994,575
Year 1910	44,835,190		17,554,940		14,770,805		8,784,534		6,026,797		91,972,266
Year 1920	52,079,465		19,309,643		16,115,945		10,242,224		7,963,343		105,710,620
Year 1930	60,891,250		21,594,823		17,271,472		12,176,830		10,860,431		122,775,046
Year 1940	64,118,346		23,948,562		17,777,873		13,064,525		12,759,969		131,669,275
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
Year 1900		49.4		20.2		17.1		8.6		4.7		100.0
Year 1910	19.3	48.7	14.1	19.1	14.0	16.1	34.5	9.5	69.7	6.6	21.0	100.0
Year 1920	16.2	49.3	10.0	18.3	9.1	15.2	16.6	9.7	32.1	7.5	14.9	100.0
Year 1930	16.9	49.6	11.8	17.6	7.2	14.1	18.9	9.9	36.4	8.8	16.1	100.0
Year 1940	5.3	48.7	10.9	18.2	2.9	13.5	7.3	9.9	17.5	9.7	7.2	100.0

Total gainful workers of the United States by freight-rate territories, 1900–1930

Period	Territory										United States
	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific		
Year 1900	14,718,464		5,904,622		4,643,977		2,321,323		1,484,844		29,073,233
Year 1910	18,722,588		7,553,942		5,680,179		3,507,081		2,703,546		38,167,336
Year 1920	21,416,753		7,228,998		5,950,002		3,716,248		3,302,247		41,614,248
Year 1930	24,952,861		8,206,697		6,585,165		4,518,232		4,566,965		48,829,920
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
Year 1900		50.6		20.3		16.0		8.0		5.1		100.0
Year 1910	27.2	49.0	27.9	19.8	22.3	14.9	51.1	9.2	82.1	7.1	31.3	100.0
Year 1920	14.4	51.5	[1] 4.3	17.4	4.8	14.3	6.0	8.9	22.1	7.9	9.0	100.0
Year 1930	16.5	51.1	13.5	16.8	10.7	13.5	21.6	9.3	38.3	9.3	17.3	100.0

[1] Decrease.

Railway mileage.—The following table shows the distribution of railway mileage between the freight-rate territories:

Railway mileage of the United States by freight-rate territories, 1900–1940

Year ended Dec. 31—	Territory										United States	
	Official		Southern		Western trunk line		Southwestern		Mountain-Pacific			
	Miles		*Miles*		*Miles*		*Miles*		*Miles*		*Miles*	
1900	66,687		32,722		54,106		18,221		21,610		193,346	
1910	72,755		41,472		62,736		31,121		32,355		240,439	
1920	73,387		44,333		65,254		32,972		36,899		252,845	
1930	71,681		43,246		63,660		33,227		37,238		249,052	
1940	67,022		40,126		59,484		31,497		35,541		233,670	
	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total	Increase	United States total
	Per cent	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*
1900		34.5		16.9		28.0		9.4		11.2		100.0
1910	9.1	30.3	26.7	17.2	16.0	26.1	70.8	12.9	49.7	13.5	24.4	100.0
1920	.9	29.0	6.9	17.5	4.0	25.8	5.9	13.1	14.0	14.6	5.2	100.0
1930	[1] 2.3	28.8	[1] 2.5	17.4	[1] 2.4	25.6	.8	13.3	.9	14.9	[1] 1.5	100.0
1940	[1] 6.5	28.7	[1] 7.2	17.2	[1] 6.6	25.4	[1] 5.2	13.5	[1] 4.6	15.2	[1] 6.2	100.0

[1] Decrease.

DEPARTURES FROM MAXIMUM INTERSTATE LEVELS OF CLASS RATES SUBJECT TO CLASSIFICATIONS

The freedom with which traffic moves on the full measure of the rates in issue, i. e., class rates subject to ratings in the major classifications, is one of the matters to be considered in the determination of their lawfulness. The record does not disclose the tonnages transported under such rates, but it does indicate that the number of carloads so moving between all points in the United States represents only 4.1 percent of the total, and produces 6.3 percent of the total carload revenue. Of the respective territorial carload totals, the percentage in official territory exceeds somewhat, and in others is lower than the national average.

Aside from the weight to be accorded those results, it is clear from the record that for a long time the proportions of all traffic that have been moving under rates of the kind in issue have been steadily diminishing. In order to meet motor-truck competition, the railroads have published more and more exceptions providing ratings lower than those in the classifications, including exceptions on less-than-carloads and less-than-carload mixtures of long lists of articles; and have established class rates that are below, often greatly below, the interstate maximum bases prescribed. This has been particularly true of intrastate rates in a number of States, which rates the railroads were required by the State commissions to establish, or had published for competitive reasons on bases that State commissions had ordered for motor carriers.

Exceptions to the classification.—In discussing generally the matter of reduced ratings by exceptions applicable on interstate traffic it is

shown in part I of this report that many exceptions are published in every territory embraced in Docket No. 28300, and in some, especially in southern, more extensively than in others. Exceptions are published also interterritorially. Those that have broad application throughout a given territory or between territories are issued by tariff publishing agents acting for many railroads, and authorize the charges on the principal movement of the traffic that is subject to exceptions. There are also exceptions of less extensive application that are published by individual railroads.

Exception ratings cover hundreds of articles of which there is an appreciable movement. They are for the most part lower than the ratings that would otherwise apply on the same articles in the classification, not only in carloads but also in less-than-carloads. For example, substantially throughout western trunk-line and southwestern territories exception ratings are available on straight or mixed less-than-carload lots of important specified articles.[80]

In instances where the actual exception ratings referred to in the next-preceding paragraph are the same as, or higher than, the corresponding classification ratings they are, nevertheless, generally more favorable to the shipper from the standpoint of packaging, mixing, or otherwise. The ratings on particular articles are restricted sometimes by special provisions, as, for example, that they apply or do not apply on intrastate traffic in the States specified.

Exception ratings are applicable in many instances in other territories and interterritorially on various articles, individually and mixed, falling within groupings similar to those indicated.

Another type of exceptions provides column ratings designated 1, 2, 3, and 4, and by certain numerals ranging from 110 to 27½, which are published in a tariff that states it contains rates on "Commodi-

[80] Of such individual articles, which also may be mixed with others in the respective groups, the following groupings may be mentioned: Agricultural implements, rated in exceptions class 70, whereas in western classification the ratings range from classes 70 to 150; confectionery, exceptions class 57, classification classes 70 to 100; drugs, medicines, chemicals, and toilet preparations, exceptions class 70 on small quantities, and classes 68, 65, and 55 on minima of 5,000, 10,000, and 15,000 pounds, respectively, classification classes 55 to 200; named articles of furniture, and of games and toys, variously rated in exceptions ranging down to one-half of the ratings in the classification; groceries and grocery or general-store supplies, exceptions usually class 55, classification classes 55 to 100 but mostly classes 55 and 70; hardware and hardware-store supplies, with which may be included automobile parts, exceptions class 70 on small quantities, and classes 66 and 63 on minima of 5,000 and 10,000 pounds, respectively, classification classes 55 to 150 and on one article class 200; automobile parts, exceptions class 70 (in southwestern territory also classes 66 and 63 on minima of 5,000 and 10,000 pounds, respectively) classification classes 50 to 100 and on a few articles to class 200; iron and steel articles, exceptions class 50, classification classes 55 to 100; and paper and paper articles, exceptions class 55 on small quantities, and classes 50, 47, and 37½ on minima of 7,000, 10,000, and 15,000 pounds, respectively, classification classes 55 to 85 and on one article class 100. The class 37½ rating named in connection with the last-mentioned group is the same rating as published in western classification on many kinds of paper and paper articles, in carloads, minimum 30,000 pounds.

ties, L. C. L." Those ratings, embraced in some 40 items covering several hundred individual articles of wide variety,[61] apply between certain important points and stations in northwestern territory extending from Lake Michigan to the western part of North Dakota. The tariff is governed also by less-than-carload ratings in western classification, over which the exception ratings in the tariff take precedence. In effect, the ratings in that tariff on "columns" 1, 2, 3, and 4 are purely regular classes so numbered, and other numeral ratings merely represent the percentages of column or class 1. These exception ratings are from one to several classes below the less-than-carload ratings in western classification on the same articles, on some amounting to less than one-half of the classification ratings, figured in percentage relations to class 1. The ratings, originally published in order to meet motortruck competition, were successively noted to expire at the end of each following year, but a few years ago the expiration date was eliminated.

Intrastate class rates.—It appears that such rates between points in the States or parts of States embraced in official territory are the same as the interstate rates previously described herein, with only a few variations.[62]

Except in Kentucky and the Florida peninsula, the intrastate class rates within every State or portion of a State comprising southern territory seem to be the same as the corresponding interstate rates. Kentucky intrastate rates are governed by official classification and are on the eastern scale, except that for distances exceeding 150 miles the rates are progressively higher than the scale, the differences on class 100 being 3 cents at 200 miles, 5 cents at 300 miles, and 12 cents at 400 miles.[63] Departures from this higher basis occur in rates between points on the Chesapeake & Ohio Railway, between all points on the Ohio River, and between such railway and river points, which are on the eastern scale. The average of the rates through 300 miles in the scale progressed as described is 101.3 percent of the eastern scale.

In the Florida peninsula the Florida arbitraries no longer are included in intrastate rates on classes 1 to 7 (classes 100 to 35). They

[61] The variety of articles is indicated by the following: Agricultural implements, bags and bagging, bakery goods, building woodwork, canned goods, cotton clothing, drugs and medicines, cottonpiece goods, electrical appliances, automobile engines, food preparations, furniture, groceries, hardware, iron and steel articles, paints, paper articles, petroleum and products, stoves and ranges, surgical supplies, manufactured tobacco, typewriters, and wheels for farm tractors.

[62] For instance, in New Jersey the variations are due to a different grouping of certain points under the intrastate rates from that under interstate rates, found not in violation of section 13 of the act in *Intrastate Class Rates in New Jersey* (1934), 203 I. C. C. 357.

[63] The Kentucky intrastate class rates were found not shown to be in violation of section 13 of the act in *Intrastate Class and Commodity Rates in Kentucky* (1937), 223 I. C. C. 109.

were eliminated by the railroads after the Florida commission had allowed their removal from motortruck rates:

States throughout western trunk-line and southwestern territories have scales of intrastate class rates, either prescribed by State commissions or published to meet motortruck competition, that are lower than the interstate maximum bases. Such rates have the benefit generally of the many exception ratings heretofore discussed; and those on less-than-carload traffic usually include pick-up and delivery services, or allowances to shippers in lieu thereof, to the same extent as under the corresponding interstate rates. A review of these intrastate rates follows:

Wisconsin, lying mostly in western trunk-line zone I,[64] has a 440-mile scale in which the rates are the same as the eastern scale through 150 miles, but beyond that distance they progress more rapidly than the eastern and finally grade into the zone I scale. Class 100 rates for these greater distances under the Wisconsin, eastern, and zone I scales, respectively, are: For 150 miles, 73, 73, and 86 cents; for 200 miles, 84, 80, and 97 cents; for 300 miles, 106, 96, and 117 cents; and for 400 miles, 128, 109, and 136 cents. All Wisconsin intrastate rates are governed by official classification, whereas zone I rates are subject to the western. Hauls in Wisconsin average less than 150 miles, which includes about 75 percent of the class-rate traffic. On most of the remainder the hauls are less than 200 miles, so that the intrastate traffic moves under virtually the official territory level of rates and classification. Rates still lower than those in the State scale described are available on less-than-carload traffic within Wisconsin for distances through 65 miles, which on class 100 range lower than the eastern scale by 8 cents at 5 miles to 1 cent at 65 miles. Wisconsin's less-than-carload scale, as a whole, averages about 103 percent of the eastern scale.

Intrastate rates in Iowa, which is entirely in zone I, have never been on the zone I level. They are on class 100 somewhat higher than the Wisconsin scale through 70 miles, and the same as that scale for greater distances, but are governed by western classification. The percentage on class 4 is 50, whereas it is 55 interstate. Through 500 miles, the extent of Iowa's scale, the class 100 rates average 108 percent of the eastern scale. For hauls of average length the Iowa rates are approximately the same as the eastern scale.

Missouri has an intrastate scale, for distances through 360 miles, on less-than-carload traffic that is lower than the eastern scale through

[64] The remainder of Wisconsin is in either Illinois territory or extended zone C, in the former of which the rate level is the eastern scale, and in the latter about 110 percent of that scale.

190 miles, beyond which it is the same as, or 1 cent above or below, the latter scale. As a whole, it averages 96 percent of such scale. The motor-competitive class 100 rate on interstate and intrastate traffic from St. Louis to Kansas City, 272 miles, is 92 cents, or the same as the eastern scale, whereas the prescribed interstate maximum rate is 113 cents. On interstate traffic the northern part of Missouri is in zone I, and the southern part in zone II, save that the comparatively narrow strip bordering on Arkansas is in zone III.

Subsequently to the western trunk-line revision, which placed less than one-fourth of Minnesota in zone I and the remainder in zone II, the Minnesota commission prescribed the zone I scale for the entire State on intrastate traffic.[65] That basis has been continued on carloads. The railroads did not seek State authority to increase less-than-carload rates at the time of the general increase of 1938, because of motortruck competition. The less-than-carload rates through the 600-mile maximum are 110 percent of the eastern scale. On less than carloads, minimum 6,000 pounds, the railroads sought and obtained permission from the Minnesota commission to publish volume rates reflecting 80 percent of the normal rates on the first four classes, respectively, the same as the motortruck rates.[66] All these rates are governed by western classification and by practically all exceptions thereto maintained by western trunk-line railroads on interstate traffic.

Not more than one-third, the eastern part, of North Dakota is in zone II, and the remainder is in zone III. The North Dakota commission has prescribed from and to jobbing points throughout the State a single-line, distributing scale of rates extending through 500 miles, subject to western classification and a small number of intrastate exceptions.[67] That scale on class 100 is lower than the zone II scale by 20 cents at 5 miles, 19 cents at 70 miles, 25 cents at 150 miles, 20 cents at 300 miles, and 10 cents at 500 miles. It averages 82.8 percent of the zone II scale. At no distance does it equal the zone III scale. Moreover, while regular class 2 in the North Dakota scale is 85 percent of first class, the percentages for classes 3 and 4 are 66 and 51, respectively, whereas interstate they are 70 and 55. Compared with the eastern

[65] This basis of Minnesota intrastate rates, which by petitions of Watertown, S. Dak., and Superior, Wis., shippers had been assailed as in violation of section 13 of the act, was found not unlawful in the fifth supplemental report (1933), on further hearing, in the western trunk-line revision (197 I. C. C. 57).

[66] The railroads also published these less-than-carload and volume rates to apply interstate between Minnesota and border points in Wisconsin, North Dakota, and South Dakota.

[67] Rates according to the North Dakota distributing scale have been voluntarily extended interstate to the border points of Moorhead and East Grand Forks, Minn., on traffic from and to North Dakota stations on the Great Northern Railway generally, and a limited number of stations on the Northern Pacific Railway.

scale, the North Dakota scale on class 100 is lower for all distances through 145 miles, is the same for 150 and 155 miles, and is higher beyond. For all distances it averages 115.7 percent of the eastern scale.[68] Probably the majority of affected shipments move at rates about the same as, or lower than, the eastern scale, although the record is silent on this point. On the light traffic from and to stations other than jobbing points an intrastate scale applies that is somewhat higher than the one described above.

Approximately the eastern one-third of South Dakota is in zone II and the balance in zone III, which includes a part of the State east of the Missouri River. For competitive reasons the railroads adopted for less-than-carload traffic the rate scales, extending through 600 miles, that the South Dakota commission had prescribed for motortrucks on the first four regular classes, which classes are related to one another by the usual western percentages. One scale applies east of the Missouri River, another west, and an average of the two intersectionally. The scale east of the river, compared with the zone II scale, is lower on class 100 by 11 cents at 10 miles, 21 cents at 70 miles, 24 cents at 150 miles, 18 cents at 300 miles, and 18 cents at 600 miles. Through 120 miles it is lower than the eastern scale. The scale west of the river is 15 percent higher than the one east, and throughout is lower than the zone III scale.

No specific evidence was offered as to the intrastate class rates in Nebraska.[69] More than one-third of the State, the eastern part, lies in zone II and the remainder in zone III.

As to the rates within Kansas, only those for the representative distances set forth in the table next following are shown of record. Zone II embraces about the eastern one-third and zone III the rest of this State.

In eastern Colorado, which lies in zone III, the railroads have adopted for intrastate rates on the first four classes scales representing 107 percent of the zone I scale.[70] The Colorado commission had prescribed those rates on motortruck traffic in small lots, and about 76 and 53 percent of such rates on shipments of 5,000 and 10,000 pounds, respectively. These volume rates also were adopted by the railroads, but the tariff naming them contains a notice of protest to the effect

[68] Cognizance should be taken of the manner of applying the distance scales, i. e., North Dakota to the single-line distances, and eastern to the shortest possible distances.

[69] It appears from the oral argument, that railroad class rates in Nebraska are lower than in South Dakota, and that they are made on a scale which is applied to the air-line distances between points.

[70] As stated, for all distance blocks through 1,500 miles the interstate zone III scale is 125 percent of the zone I scale. Through 300 miles it is 124.2 percent.

that they are deemed extremely low and not compensatory. Nevertheless they have been in effect since 1935.

Arkansas is entirely within zone III. Railroads publish for application in that State an intrastate scale of rates on less-than-carload traffic moving under the first four classes that is approximately 70 percent of the zone III scale through 150 miles, beyond which it grades up rapidly and reaches the zone III basis at 210 miles.[71] This scale is lower than the eastern scale for all distances through 100 miles.

Oklahoma, whose interestate rate basis is now zone III throughout, has intrastate less-than-carload rates on the first four classes that, compared with the zone III scale, are 75 percent at 5 miles and gradually ascend to about 93 percent at 500 miles, beyond which the rates are the same as scale III.[72]

Since 1941, when the railroads voluntarily eliminated the southwestern zone IV rate level, interstate rates throughout Texas have been on the zone III basis. Intrastate rates, published through 900 miles, are for most distance blocks somewhat lower than interstate, and average about 97 percent of the zone III scale.

For ready comparison there are set forth in the following table the less-than-carload rates, for representative distances, on classes 1 and 4 (which are not stated as percentage classes, because the class 4 rates are not in all States 55 percent of first class) published for intrastate application in the western trunk-line and southwestern-territory States listed, and the corresponding rates in the interstate scales for western zones I, II, and III, and in the eastern scale. Application of the particular zone scales in such western States has been heretofore indicated.

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[71] The same scale is in effect on interstate traffic between Arkansas and contiguous points in Missouri, Oklahoma, Louisiana, and Texas, as well as between Arkansas and Memphis, Tenn., for limited application.

In *Less Carload Class Rates, Arkansas and Louisiana*, 256 I. C. C. 656, division 2 on January 14, 1944, found a proposal of the rail carriers and common carrier motor carriers, operating between northern Louisiana and southern Arkansas to cancel their less-than-carload and less-than-truckload class rates leaving in effect the normal class rates, would result in increased rates not shown to be reasonable. In a report on reconsideration, 258 I. C. C. 525, May 8, 1944, we found that the proposed rates, insofar as they would apply from points in Arkansas to destinations in Louisiana, were just and reasonable and not otherwise unlawful; and that the proposed rates, insofar as they would apply from points in Louisiana to destinations in Arkansas, were reasonable, but would be unduly prejudicial to Louisiana shippers and unduly preferential of Arkansas and Memphis shippers to the extent of their excess over the rates concurrently maintained for corresponding distances within Arkansas and from Memphis.

[72] These rates are published also interstate between Oklahoma and contiguous points in Missouri and Arkansas for limited application.

Intrastate rates in Western States on classes 1 and 4, for representative distances, compared with rates in interstate scales

Scales	20 miles		40 miles		60 miles		80 miles		100 miles		120 miles		160 miles	
	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4	Class 1	Class 4
	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.	Cts.
Wisconsin	30	15	39	20	50	25	57	29	62	31	68	34	75	38
Iowa	40	20	48	24	53	27	57	28	62	31	68	34	75	38
Missouri	32	18	39	21	46	25	53	29	59	32	66	36	72	40
Minnesota	36	20	44	24	52	29	60	33	66	36	74	41	80	44
North Dakota	22	11	37	19	46	25	54	27	59	30	67	35	75	39
South Dakota (E) [1]	34	19	40	22	46	25	52	29	59	32	68	37	78	43
South Dakota (W) [1]	39	21	46	25	53	29	60	33	68	37	78	43	90	49
Kansas	36	20	45	25	54	30	63	34	72	40	85	46	97	53
Colorado (Eastern)	42	23	51	28	61	33	69	39	76	42	86	47	93	51
Arkansas	33	18	41	23	48	26	55	30	61	34	69	38	83	46
Oklahoma	36	20	45	25	54	30	63	35	72	40	85	47	97	53
Texas	47	26	58	32	69	38	79	43	87	48	99	54	109	60
Zone I	40	22	48	26	57	31	66	36	73	40	81	45	88	48
Zone II	44	24	55	30	65	36	75	41	83	46	92	51	100	55
Zone III	47	26	59	32	70	39	81	45	90	50	100	55	110	61
Eastern	37	19	44	22	51	26	57	29	62	31	68	35	74	37

[1] South Dakota (E) and (W) mean east and west of the Missouri River; between east and west of the river an average of the 2 scales applies.

Except for upper Michigan, Nebraska, Wyoming's Cheyenne corner, and Louisiana west of the Mississippi River, the States listed in the foregoing table constitute all of western trunk-line and southwestern territories. Intrastate class rates within the excepted States, or portions, apparently are also lower than the interstate bases. Although the record is lacking in that respect, some indication of the relations between intrastate and interstate rate levels may be obtained by aggregating the class 1 rates in the table for these western States lying wholly or partly within a particular interstate zone,[73] and dividing the aggregate by the number of such States for an average. In like manner the average for all western States may be determined for comparison with the eastern scale.[74] Computations by this rather rough and imperfect method produce the following mathematical averages of class 1 rate levels, intrastate or interstate, limited to the representative distances shown in the foregoing table: In zone I, 86.1 percent, in zone II, 76.2 percent, and in zone III, 77.7 percent. The average intrastate levels in the respective zones are 99.5, 99.7, and 110.2 percent of the corresponding class 1 rates in the eastern scale, and the average for all the western States listed in the table is 107.4 percent of that scale.

Among interstate rates that are lower than the maximum bases prescribed are less-than-carload rates, published to meet motortruck

[73] A State with parts in more than one interstate zone was counted in each zone, except that as to South Dakota, whose two parts have different scales, the eastern part was treated as in zone II and the western part as in zone III.

[74] Here the rates for eastern and western South Dakota were averaged in figuring the level for the State.

competition, that are really regular class rates or percentages thereof but are termed less-than-carload commodity rates in the tariff. They are governed by less-than-carload ratings in western classification, over which the exceptions in the tariff take precedence. The latter have been referred to in discussing the classification exceptions in this portion of the report. As there explained, they are simply the rates on regular classes 1, 2, 3, and 4, and on certain percentages from 110 to 27½ of class 1. The rates apply between Chicago and Peoria, Ill., and Milwaukee, Wis., on the one hand, and Wisconsin, upper Michigan, Minnesota, and North Dakota, on the other; and between Twin Cities, Duluth, Minn., and Superior, Wis., on the one hand, and Wisconsin and upper Michigan, on the other. Volume rates are provided on shipments of 5,000, 10,000, and 16,000 pounds of 95, 90, and 85 percent, respectively, of such class rates, and of the percentage rates that range from 90 to 57. The rate of 116 cents (106.4 percent of the corresponding eastern scale rate) on column or class 1 between Chicago and Twin Cities (400 miles) is blanketed back over a large group, and is 23 cents lower at Twin Cities than the prescribed maximum class 1 rate also published between Chicago and Twin Cities. Rate differences between Chicago and other points in the States named, similarly computed, are generally less than at Twin Cities. Thus, in the class 1 rate of 187 cents between Chicago and Fargo, N. Dak., the difference is 11 cents, and to and from other points in North Dakota the differences are smaller by varying amounts. In some instances there are no differences. Differences in corresponding rates to and from Milwaukee are less than those in the rates to and from Chicago. The so-called commodity rates on classes 2, 3, and 4 reflect percentage relations to class 1 that in most instances are about the same as the western interstate relations.

Changing conditions over the years in the field of transportation, especially intensified motortruck competition, indicate that the interstate maximum class-rate levels in territories other than official no longer move freely business that formerly was regarded as of class-rate type, particularly in less than carloads. In the higher-rated territories, notably in the West and Southwest, extremely small proportions of all traffic move subject to classification ratings and at class-rate bases.

As stated, competition with motor carriers has induced the railroads to establish numerous exceptions to the classifications, and to adopt the rates of their competitors on much intrastate class-rate traffic and to some extent on interstate traffic. Prevalence of such competition has dissuaded the railroads from petitioning us for relief under section 13 of the act where commissions of certain western States have ordered rail rates lower than the interstate bases, because

of apprehension that restoration of those bases would divert traffic to competitors and would reduce railroad revenue. Even in this proceeding respondents make no point of, much less assail as unlawful, the existence of intrastate rates substantially lower than the contemporaneous interstate rates; nor do shipper interests raise that question.

POSITIONS OF PARTIES

Rail respondents generally take the position that the present intraterritorial and interterritorial class rates were prescribed by us, that such rates are the result of many years of thorough investigations and earnest efforts by this Comission, the shippers, and railroads, directed to adjusting rates to meet the needs of commerce, and that the present rates adequately meet those needs, and are in many instances below the maximum level prescribed or approved. They contend that the full measure of proof of unlawfulness of the present rates must include proof of changed conditions of reasonable permanency, and that the record is devoid of such proof; that actually the changes in conditions that have occurred are those brought about by the country's entrance into war, and that they are not conditions upon which any permanent freight rate adjustment can be built judiciously or with confidence.

In addition to a denial of the unlawfulness of the rates in issue generally, official territory respondents also deny that the rates within official terriotry, or to and from that territory, are in excess of maximum reasonable rates or otherwise unlawful; but if we should find that reasonable and nonprejudicial class rates within other territories should be equal to those in official territory, they would not oppose joining in the establishment of interterritorial class rates on the official territory level if appropriate conditions are observed. The conditions would provide that class rates be made subject to uniform classification ratings, apply in both directions, and be subject, in their division, to equal bases of divisional prorating factors for the groups of carriers in the different territories.

If revisions are required in the present class rates over standard railroad lines, Bangor and Aroostook Railroad Company and Canadian Pacific Lines, which operate in northern Maine, and Norfolk Southern Railway Company, whose lines are in Virginia and North Carolina, seek special treament in the form of arbitraries for the hauls over their lines similar to that accorded in previous proceedings.

Class I respondents do not consider that the question of a rate basis for earnings to which they may be entitled is presented for consideration in this investigation. They wish to make clear that by refraining from making a valuation presentation herein, they do not agree to or accept the valuation in the cost studies prepared by our staff, and that

they do not concede that such values are the true and actual values of their railroad properties, or that they were reached through the application of correct principles or methods.

The advocates of changes in the existing class rates may be grouped as follows: Those seeking (1) a single and uniform level of class rates throughout the territory included in the investigation; (2) a single and uniform level of class rates in the territory east of the Mississippi River; and (3) the extension to certain States or areas of an existing lower level of class rates.

In the first group are public bodies and associations of shippers in the States of Arkansas, Kansas, Louisiana (west of the Mississippi River), Nebraska, North Dakota, Oklahoma, South Dakota, and Texas, American Farm Bureau Federation, and Tennessee Valley Authority. Generally, they allege that the intraterritorial and interterritorial class rates in and between the territories embraced in the investigation are unreasonable and unduly prejudicial and preferential, and they propose the extension of the official territory level of class rates to the remainder of the considered territory. If the latter cannot be found justified, a few of the parties in western trunk-line territory suggest as an alternative substantial reductions in the differences between the rate levels in the territories or zones.

The second group comprises Southern Governors' Conference, representing the States of Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee, Southeastern Association of Railroad and Utilities Commissioners, appearing on behalf of the regulatory authorities of the eight southern States above named, the State of Florida and other Florida interests appearing separately, South Carolina State Ports Authority, Southern Traffic League, and the East Tennessee Border Traffic Association. This group seeks the establishment of the official territory level of class rates throughout the area east of the Mississippi River, and the elimination of the Florida arbitraries. The motor-carrier interveners advocate the same level of class rates east of the Mississippi River, but they contend that the official territory class rates are too low, particularly as applied to less-than-carload traffic.

As part of a permanent adjustment of class rates, the motor carriers propose dual scales of class rates for carloads and less than carloads, with restrictions as to the minimum rates which may be established voluntarily to meet competition. They suggest, however, that a comprehensive traffic test is a prerequisite to the establishment of a rate system on the basis proposed, and appear to favor deferring the test until after the war when it would reflect conditions prevailing in the postwar period and could be made at less cost. All parties, except the motor carriers and those representing Omaha, Nebr., and

Wichita, Kans., opposed dual scales of class rates for carload and less-than-carload traffic, and, as stated, the motor-carrier interests do not propose their establishment at this time.

The proposals made by the motor carriers will be discussed further in this report.

In the third group are State authorities and associations of shippers in Iowa, Kansas, Kentucky, and Minnesota, Topeka Chamber of Commerce, Topeka Traffic Association, Wichita Chamber of Commerce, and two steel manufacturers in the St. Louis district. The States of Iowa, Kentucky, and Minnesota suggest the establishment of the official territory level of class rates in and between those States and official territory and, in the case of Kentucky, between Kentucky and other territories. Twin Cities and Duluth ask such extension to those cities and all of zone I. Topeka advocates that northeastern Kansas be placed in that same zone or territory as northern Missouri or southern Iowa for rate-making and classification purposes. Wichita favors a uniform level of class rates throughout the territory involved in this proceeding. If that is not done, it asks that a single level be prescribed between all points in western trunk-line territory, provided that the level between Wichita and all points included in the investigation be made no higher than that now in effect, or that which may be prescribed within, and to and from points in, western trunk-line zone I. It asks also that it be relieved of the undue preference finding (No. 27) made in the southwestern revision. The Colorado commission does not advocate a single level of class rates throughout the considered territory, but suggests that the class-rate levels in the western trunk-line zones, and the differences between them be substantially reduced. A steel manufacturer at Pueblo, Colo., suggests the extension of the zone II rate level to all of zone III, including the Southwest.

St. Louis manufacturers of iron and steel articles seek rates on those commodities in southwestern and western trunk-line territories properly related to those in southern and official territories. The rates referred to are not the class rates in issue in this proceeding.

Typical of the positions of those parties who seek either a uniform level of class rates throughout the territory involved, or in the territory east of the Mississippi River, is that of the Southern Governors' Conference. It states on brief: "We think that our position is summed up in the one word 'parity'. By 'parity' we mean the uniform application of class rates and classification ratings throughout the territory east of the Mississippi River with a uniformity of class rates and ratings between all of such latter territory and all other territories. * * * So the South here says that if you will let it write the word 'parity', it is willing to leave to the Commission the

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methods and manner of bringing about parity." In addition to allegations of violations of sections 1 and 3 of the act, the members of the conference emphasize the contention that the present class-rate structure discriminates against the South and retards its industrial development.

Opposed to a general revision of the class-rate structures are the Governors or public authorities, shippers, and associations of shippers in the States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont, comprising New England territory; New York, New Jersey, Pennsylvania, Maryland, and Delaware in trunk-line territory; Ohio, Indiana, Illinois, and Michigan in central territory, Wisconsin, partly in western trunk-line and partly in official territory; and groups of shippers in southern territory. In general, their position is that we prescribed the present class rates after comprehensive proceedings extending over a period of years to fit conditions in the respective territories, that there is no evidence of changes in conditions that would warrant findings that the class-rate structures are now unlawful, and that it would be unwise to attempt to devise class-rate structures to apply under conditions that will exist in the postwar period, the nature of which no one can now foresee.

The official territory interests stress the facts that there is no complaint by shippers in official territory that the class rates therein are unlawful, and no contention by official territory respondents that such rates are below maximum reasonable levels. They contend, therefore, there is no basis in the record for increases in the class rates in that territory. They insist that even if the evidence shows that a change in the class-rate structure is necessary to make possible and to stimulate the industrial development of the South and Southwest, which they deny, we are without power to require a revision of the class rates for such a purpose; and that, even if rates could be prescribed for the purpose of influencing the location of manufacturing industries, we should not ignore the effects upon the communities and population of the North that may result from a shift of industry from the North to the South.

The State of Ohio, Public Service Commission of Wisconsin, and Wisconsin Manufacturers Association are opposed to a general revision of the class-rate structure, and, as stated, have sought to have the investigation discontinued or deferred for the period of the emergency caused by the war. If, however, there is a general revision of the class-rate structures, the Wisconsin interests seek the application of the eastern scale of class rates between all of Wisconsin or, at least, the lower half of the State and official territory, except as key rates in harmony therewith shall be provided, and class rates between Wisconsin and other territories based on the principles of the so-called

cottonseed formula.[75] If the official territory level of class rates should not be extended to the entire State of Wisconsin, Green Bay Association of Commerce asks for its extension to Green Bay and nearby points, and the elimination of the zone C differentials.

The Missouri Public Service Commission and commercial interests at St. Louis, Kansas City, St. Joseph, and Springfield, Mo., oppose a revolutionary turnover of the rate structure; but if revisions are made, they urge that the adjustment of rates to be prescribed for Missouri should be brought closer to that which may be provided for central territory.

Representatives of certain southern industrial interests and shippers located in the southern States oppose a general revision of the southern class-rate structure or of the class rates between southern and official territories. Their position is that the present class rates considered as a whole are lawful and are well suited to southern economy, do not retard the development of manufacturing in the South, and that mile-for-mile uniformity of southern class rates with those in official territory would so affect the revenues of southern carriers as to require an upward revision of commodity rates within and from the South, with disastrous effects upon southern industry. Certain southern interests on oral argument strongly opposed any action herein which might result in increases in the levels of exception or commodity rates within or to and from southern territory.

The Southern States Industrial Council, a voluntary, nonprofit organization, composed of the major manufacturing interests in 13 southern States, expressed the view that rate inequalities should be adjusted through recognized channels without involving the entire basic rate structure of the country. It does not favor widespread changes that will affect adversely the South's present industrial economy, the growth and development of which is said to have been fostered by the basic commodity rate structure in southern territory.

On argument, the Southeast Shippers' Conference, a voluntary organization of manufacturers, shippers, commercial organizations, and receivers of freight located in the South, stated that the prevailing system in the South of distributing the prices of transportation among articles of commerce is responsive to the South's development and has proved generally satisfactory. It opposes the uniformity sought.

The New Orleans Joint Traffic Bureau on argument expressed the opposition of its members to uniformity of class rates.

A large meat packer requests us to provide in our report that no order entered in this proceeding shall be taken as authority for, or

[75] The cottonseed formula was prescribed by the Commission in *Cottonseed, Its Products, and Related Articles* (1932), 188 I. C. C. 605, 657; but it was rescinded in the supplemental report in that proceeding (1934), 203 I. C. C. 117.

shall effect a change in, the rates now charged for the transportation of packing-house products. In several proceedings, relations between the rates on such products from competing origins have been prescribed. Some of these rates were originally class rates, but they have been removed from that category as a result of general increases. This packer's position is that any readjustment which would affect the closely integrated structure of rates on packing-house products should be made only in a proceeding in which all of the facts peculiar to the transportation of those commodities are considered.

GENERAL CHARACTERISTICS OF RATE STRUCTURES

Freight-rate structures are composed of class rates, governed either by the ratings in a standard freight classification or by exceptions to the classification;[76] column rates, which apply to specific commodities or groups of commodities and thus assume the nature of commodity rates, but follow the contour of class-rate scales by fixed percentages of the first-class rates; and commodity rates, which are published to apply on particular commodities, but are not related by definite percentages to the first-class rates. Exception rates and column rates which, in some instances, apply throughout a particular territory and, in others, to limited portions of the territory or between particular points, are usually designed to fit the special conditions relating to the transportation of a single commodity or group of commodities. The principal reasons usually assigned for relating rates to first-class rates by definite percentages are: Simplicity of publication and the advantage of relief from the provisions of section 4 of the act already granted in connection with the class rates.

The interstate class rates under investigation in this proceeding are, generally speaking, those prescribed by us in the general class rate revisions previously described. These distance scales of class rates when prescribed, and as subsequently changed, were subject to various modifications, such as the employment of formulas for making certain interterritorial rates, the superimposition of subterritorial and zone arbitraries, the employment of key rates, and moderate groupings of stations.

These distance scales are marked not only by differences in level but also by variations in the rates of progression. The levels and progressions of the class-rate scales prescribed by us in the general class-rate revisions, as increased in 1938, and as reduced in some instances by the voluntary action of the carriers, are shown on the accompanying chart:

[76] Exceptions are of two types, those that transfer the rates on an article from one standard class-rate column to another, and those that utilize intermediate columns in the system of class rates not assigned to any standard class.

INTRATERRITORIAL FIRST CLASS RATE SCALES IN OFFICIAL, SOUTHERN, SOUTHWESTERN, AND WESTERN TRUNK LINE TERRITORIES.

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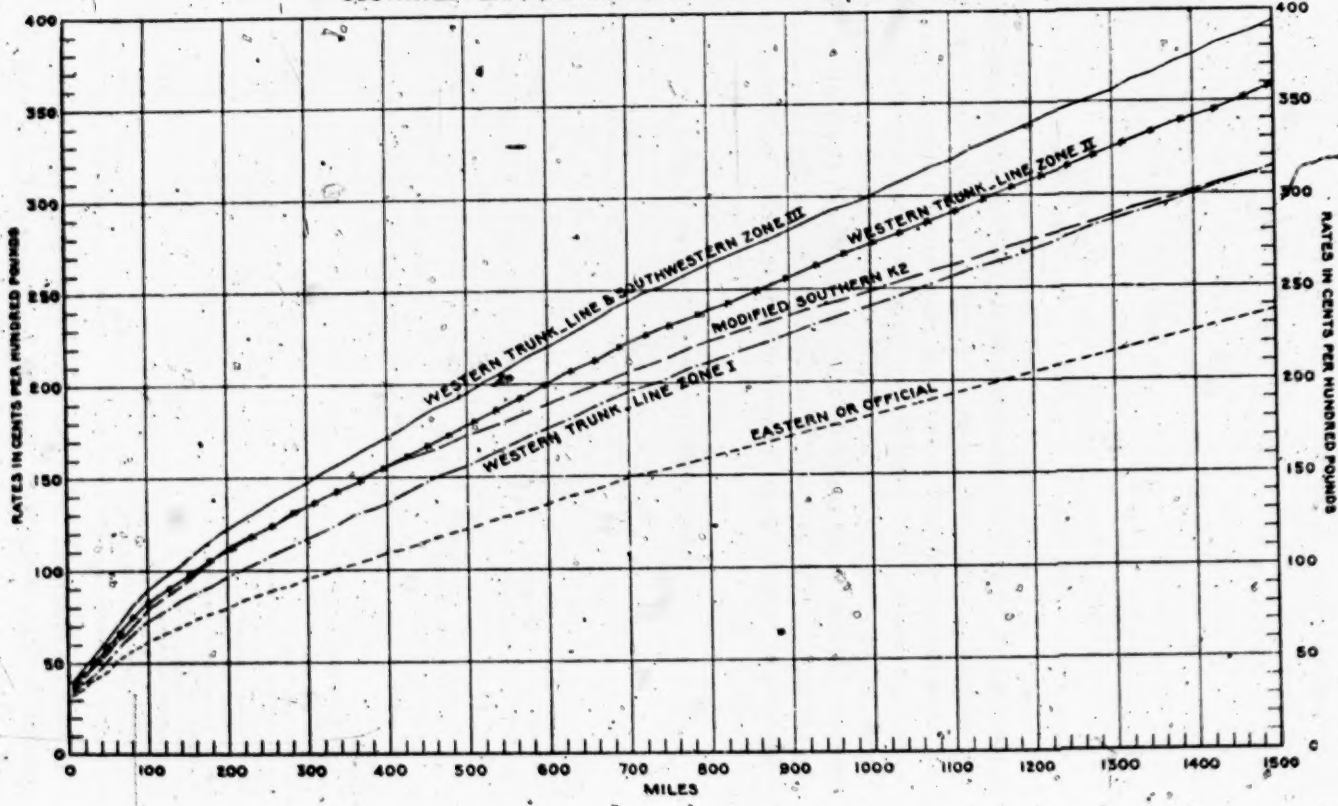

From the standpoint of the volume of traffic transported, class rates are the least important of the different kinds of rates. The great preponderance of traffic within and between the several territories is transported on commodity rates. The relative proportion of traffic transported at class or other rates has fluctuated from time to time, but the volume of traffic, particularly carload traffic on which class rates have applied has been substantially less for many years than that on which exception rates have applied. Motor-vehicle competition has accelerated the establishment in recent years of numerous exception and commodity rates, even on less than carloads.

A study of the movement of all carload traffic transported on September 23, 1942, and the revenue received therefrom, testified to by a member of our staff, affords a rough approximation of the relative importance of traffic moving on class rates, exception rates, and commodity rates. The results, by types of rates, are shown below. The first table contains the proportions of freight by carloads and the revenue thereon on all traffic between all points in the United States, and the second table is the percentage distribution by carloads of carload freight within and between the territories embraced in this proceeding.

All carload traffic transported on Sept. 23, 1942

Type of rate	Percent of carloads	Percent of revenue
Class	4.1	6.2
Exception	10.7	16.1
Commodity	85.2	77.6

Territories (within, or from one to another)	Percent of carloads		
	Class rates	Exception rates	Commodity rates
Official	5.3	17.6	78.7
Southern	1.8	6.0	92.2
Western trunk-line	.6	.2	99.2
Southwestern	2.4	4.4	93.2
Official to southern	12.6	36.3	51.1
Southern to official	.9	4.9	94.2
Official to western trunk-line	12.3	35.4	52.3
Western trunk-line to official	3.1	1.0	95.9
Official to southwestern	22.5	52.0	25.5
Southwestern to official	1.5	3.4	95.1
Southern to western trunk-line	1.5	13.5	85.0
Western trunk-line to southern	6.1	3.1	90.8
Southern to southwestern	6.1	22.1	71.8
Southwestern to southern	1.2	4.3	94.5
Western trunk-line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0

It will be observed from the above table that very little traffic is carried on class rates, and that the percentage of the total carload traffic moving on such rates is generally much greater on interterritorial traffic than it is on intraterritorial traffic. This is a rather

surprising and significant fact in view of what we said relative to the proper functioning of class-rate structures in the prior decisions in which many of these rates were prescribed.[77] The least use of class rates is in western trunk-line territory, where it is only 0.6 percent. In southern territory it is only 1.8 percent and in southwestern territory, 2.4 percent. In official territory it is 5.8 percent. On the other hand, on interterritorial traffic the percentage is as high as 22.5 percent.

IMPORTANCE OF INTERTERRITORIAL TRAFFIC

The importance of interterritorial traffic as compared with intraterritorial traffic is shown by the following studies:

On May 27 and September 23, 1942, the intraterritorial movement of all carload freight within official territory aggregated 111,914 carloads; 33,693 carloads moved to official territory from other territories; and 20,215 carloads moved from official territory to other territories. The total interterritorial movement between official territory and other territories amounted to 54,008 carloads, 48.3 percent of the intraterritorial traffic, and 32.6 percent of the combined intraterritorial and interterritorial movement.

On the same dates the intraterritorial movement within southern territory amounted to 23,512 carloads; 10,556 carloads moved to southern territory from other territories, including 7,008 carloads from official territory; and 18,649 carloads moved from southern territory to other territories, including 15,989 carloads to official territory. The total interterritorial movement between southern and other territories amounted to 29,205 carloads, 124.2 percent of the intraterritorial traffic, and 55.4 percent of the combined intraterritorial and interterritorial movement.

[77] In our decision in the *Southern Class Rate Investigation*, 100 I. C. C. 513, at page 603, in setting forth certain general principles to be observed as a guide in the prescription of the new basis of class rates in southern territory we said, among other things: "The new class rates should look also to the future. They should, for example, be so framed as to facilitate the elimination not only of special classification exceptions but also of many commodity rates which provoke complaints of discrimination and have no other excuse than an inadequate and imperfect class-rate structure."

In a later proceeding, *Consolidated Southwestern Cases*, 123 I. C. C. 203, in pursuance of the same principle in connection with class rates in the Southwest, we said, at page 234: "We are persuaded that the interests neither of the public nor of the carriers are served by maintaining carload class rates on such high bases that they are rarely used, making it necessary to follow the practice which has prevailed for many years in the Southwest of establishing commodity rates on practically all commodities which move in carloads in material volume. It is due to this practice that many of the discrepancies in rates which are the subjects of complaint have arisen. Existing widespread dissatisfaction with the complexity of tariffs in the Southwest is discussed in a later section of this report. Much of this complexity arises out of the prevalence of commodity rates and the failure to adjust them on a basis which would fairly relate the various points which compete with one another. In the circumstances, we are of opinion that we should follow the principle that carload class rates should be prescribed which are capable of moving many of the carload commodities, as is the case today in official and western trunk-line territories, thus making it possible to eliminate from the tariffs thousands of commodity rates."

On May 27 and September 23, 1942, within western trunk-line territory the intraterritorial movement consisted of 32,989 carloads; 12,943 carloads moved to that territory from other territories; and 12,120 carloads moved from that territory to other territories. The aggregate interterritorial movement between western trunk-line territory and other territories amounted to 25,063 carloads, 76.0 percent of the intraterritorial movement, and 43.2 percent of the combined intraterritorial and interterritorial movement.

Within southwestern territory on the dates named, the intraterritorial movement consisted of 10,985 carloads; 4,870 carloads moved to that territory from other territories; and 11,356 carloads moved from that territory to other territories. The total interterritorial movement between the Southwest and other territories amounted to 16,226 carloads, 147.7 percent of the southwestern intraterritorial traffic, and 59.6 percent of the combined intraterritorial and interterritorial movement.

The relative importance of interterritorial traffic becomes much greater when carload shipments that move on class rates or on exception rates are considered alone or together. For example, if the percentages of class, exception, and commodity rates charged on September 23, 1942, hereinbefore indicated, are applied to the carloads that moved on both that date and May 27, 1942, it is found that only 423 carloads moved on class rates within southern territory, whereas 883 carloads moved on class rates from official territory to southern territory, and 144 carloads moved on such rates from southern territory to official territory. Hence, if class-rate traffic is considered alone, the interterritorial movement between southern and official territories, 1,027 carloads, was 243 percent of the southern intraterritorial volume, and 70.8 percent of the sum of that traffic and the southern-official interterritorial movement. These ratios are not appreciably affected if traffic that moves on exception rates is considered together with traffic that moves on class rates. By the use of the method of computation just described, it is indicated that the combined exception and class-rate movement on the 2 days stated amounted to 3,427 carloads from official to southern territory, 927 carloads from southern to official territory, and 1,834 carloads within southern territory. The interterritorial movement between southern and official territories on class and exception rates, 4,354 carloads, was 237 percent of the southern intraterritorial movement, and 70.4 percent of the combined interterritorial and intraterritorial movement, 6,188 carloads.

RELATIVE LEVELS OF CLASS RATES IN EACH TERRITORY

Class 100 rates applicable at the close of the hearings, April 1, 1943, exclusive of the temporary general increase of 1942 then also in effect

but suspended May 15, 1943, between representative points throughout the several territories embraced in this proceeding are set forth in appendix 9 to this report, together with the distances over the shortest routes by which carload traffic can be moved without transfer of lading. Opposite the rates, except within official territory, are shown the rates for corresponding distances under the eastern scale.

Some of the typical rates shown in appendix 9 are as follows: The rate from New York, N. Y., to Chicago, Ill., is 167 cents, whereas the eastern scale rate for the distance of 890 miles is 171 cents. The rate from Atlanta, Ga., to New Orleans, La., 490 miles, is 173 cents, whereas the eastern scale rate is 122 cents. From Duluth, Minn., to Wichita, Kans., 789 miles, the rate is 230 cents, whereas the eastern scale rate is 160 cents. From Memphis, Tenn., to Houston, Tex., 554 miles, the rate is 209 cents, whereas the eastern scale rate is 130 cents.

Looking at the interterritorial rates, the rate from Atlanta to New York, 873 miles, is 212 cents, whereas the eastern scale rate is 168 cents. The rate from Atlanta to Chicago, 728 miles, is 210 cents, whereas the eastern scale rate is 153 cents. The rate from Pittsburgh, Pa., to Kansas City, Mo., 852 miles, is 197 cents, whereas the eastern scale rate is 168 cents. The rate from Detroit, Mich., to Dallas, Tex., 1,116 miles, is 289 cents, whereas the eastern scale rate is 196 cents. The rate from Atlanta to Kansas City, 879 miles, is 240 cents, whereas the eastern scale rate is 171 cents. The rate from Atlanta to Dallas, 822 miles, is 261 cents, whereas the eastern scale rate is 163 cents.

In order to limit their number to a reasonable and practical minimum, 56 points are used in appendix 9. Distances between them range from 133 to 2,537 miles. Less than 1.6 percent of the 1,542 distance items used are under 200 miles.

In making any comparisons of the levels of the class rates within the respective territories or zones, we are confronted with the fact that differences in the applicable classifications affect the levels of the class rates as much as or more, in some instances, than the differences in the levels of the class rate scales. When comparisons are made with the eastern class rate scale, it must be remembered that higher class rates apply between points in New England zones A and B, between points in Michigan zone C, and to some extent between those points and the remainder of official territory; and that the key rates prescribed are in general somewhat lower than the scale.

Official classification has 7 regular classes ranging from 100 to 27½ percent of first class; southern classification has 12 regular classes ranging from 100 to 17½ percent of first class; and western classification has 10 regular classes ranging from 100 to 17½ percent of first class. In addition, each classification has 7 regular classes above 100. There are also certain irregular classes usually expressed in terms of

percentages of first class in each classification. A comparison based on averages of all class rates for the regular classes gives undue weight to classes which are relatively unimportant. Such a comparison also gives undue weight to classes below 27½ percent of first class in southern and western classification which have no counterpart in official classification.

A comparison based on averages of the first-class rates for all distance blocks in the various first-class rate scales gives undue weight to the rates for the shorter distances because of the larger number of distance blocks for the distances up to 200 miles.

An analysis of less-than-carload traffic for the week of September 8 to 14, 1939, inclusive, was made by the Association of American Railroads by direction of the chief traffic executives of the class I railroads. This study shows that the weighted average of class rates and rates related by fixed percentages to first class, on intraterritorial traffic in official territory, was 65.9 percent of first class, and on traffic originated and terminated in official territory 66.6 and 66.1 percent of first class, respectively. For southern territory the corresponding figures were 56.1, 59.0, and 61.1 percent of first class. For western territory the corresponding figures were 68.9, 69.2, and 69.5 percent of first class. In all three territories the average rate on such less-than-carload traffic is above fourth class and below third class (fourth class being 50 percent in official and 55 percent in western and southern classifications, and third class being 70 percent of first class in all three territories).

The total number of pounds of less-than-carload traffic, under all types of rates, carried in each territory is shown in the following table:

Official territory

Intraterritorial	292,487,885
Originated	347,317,520
Terminated	318,572,090

Southern territory

Intraterritorial	97,694,570
Originated	125,215,880
Terminated	130,275,946

Western territory

Intraterritorial	179,622,327
Originated	190,837,914
Terminated	214,522,479

The originated and terminated pounds include both interterritorial and intraterritorial traffic. A separation between interterritorial and intraterritorial traffic is only partially made.

The average haul of less-than-carload traffic within the South is considerably less than in official territory. For example, 50 percent of the tonnage in official territory was carried for distances up to 350 miles and the balance for longer distances, whereas in southern territory 50 percent was carried for distances up to about 175 miles and the balance for longer distances. The percentage of the higher-rated traffic carried increased for the longer distances in each territory.

The ratio of less-than-carload traffic moving on commodity rates to the total less-than-carload traffic moving on class rates was 5.1 percent in official, 139.2 percent in southern, and 40.0 percent in western territory. These figures are for intraterritorial traffic and are representative. It is noted that more less-than-carload traffic moves in the South on commodity rates than on class rates. This may be accounted for by the heavy movement in the South of cotton, grain products, and fertilizer on less-than-carload commodity rates.

A comparison of the first-class rates in the various class rate scales, using 50-mile blocks up to 200 miles and 100-mile blocks up to 1,000 miles, is shown by the following table:

Distance	Eastern scale	Modified [1] southern scale		Zone I		Zone II		Zone III	
	Rate	Rate	Percentage of eastern	Rate	Percentage of eastern	Rate	Percentage of eastern	Rate	Percentage of eastern
Miles	*Cents*	*Cents*		*Cents*		*Cents*		*Cents*	
50	47	57	121.3	53	112.8	61	129.8	65	138.3
100	62	79	127.4	73	117.7	83	133.9	90	145.2
150	73	96	131.5	86	117.8	98	134.2	107	146.6
200	80	112	140	97	121.3	111	138.8	123	153.8
300	96	134	139.6	117	121.9	134	139.6	147	153.1
400	109	156	143.1	136	124.8	156	143.1	172	157.8
500	122	173	141.8	156	127.9	178	145.9	196	160.7
600	135	189	140	176	130.4	200	148.1	220	163
700	149	206	138.3	196	131.5	222	149	244	163.8
800	160	222	138.8	210	131.3	230	149.4	263	164.4
900	171	235	137.4	226	132.2	256	149.7	282	164.9
1,000	183	249	136.8	240	131.9	273	150	300	164.8
Average			137.7		129.6		144.4		159.4

[1] As modified voluntarily by the carriers in 1941 for distances up to 100 miles.

INDIRECT RESULTS OF PROPOSED REVISION

The first-class rates have been used, since they were prescribed in the general revisions heretofore mentioned, as a base to which column rates and rates on other classes have been related. As this method of publishing rates has become a general practice which we have approved and have frequently employed in prescribing rates on particular commodities or groups of commodities, the progressions and levels of the first-class rate scales have assumed a correspondingly increasing importance both to shippers and to carriers.

While, as previously explained, rates governed by exceptions to the classification and column rates are not directly in issue in this proceeding, at the same time evidence of a general nature concerning such rates and their relation to class rates was admitted. In determining the issues in this proceeding, it seems to us that we should not close our eyes to the possible indirect effect which our decision may ultimately have upon these collateral segments of the freight-rate structure and the consequent results upon the revenues of the railroads. *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.*, 213 I. C. C. 259. This means, of course, that we should take notice of, and in our ultimate conclusions accord proper weight to, the fact that an important percentage of both intraterritorial and interterritorial traffic is transported at exception or column rates which might be affected if class rates are substantially changed.

A witness for the southern carriers introduced an exhibit purporting to show the effect of applying the official classification and the official class rate scales between points in southern territory, and between points in that territory and points in official, southwestern, and western trunk-line territories, to carload commodity rates published as exceptions to the governing classification or as column rates related to the first-class rates. Atlanta, Ga., and Louisville, Ky., are used as representative of the southern territory and rates between those points are assumed to be representative of rates between points in that territory. Chicago, Ill., and New York, N. Y., are used as representative of official territory and rates between Atlanta and those two points are assumed to be representative of rates between southern and official territories. Similarly, rates between Atlanta and Dallas, Tex., are assumed to be typical of rates between southern and southwestern territories, and rates between Atlanta and Omaha, Nebr., are assumed to be typical of rates between southern and western trunk-line territories.

According to this comparison, application of the official class-rate scales and the present official classification would result in changes in carload rates, now published as exceptions to the classification or as column rates, as indicated in the following table:

Between Atlanta, Ga., and—	Reductions		Increases	
	Number	Percent	Number	Percent
Louisville, Ky.	705	76.2	211	22.8
Chicago, Ill.	580	72.1	200	24.9
New York, N. Y.	406	53.4	355	46.6
Dallas, Tex.	399	88.5	50	11.1
Omaha, Nebr.	335	72.2	117	25.2
Total	2,425	71.2	933	27.4

No change would be made in 3 percent of the rates from and to Chicago, 1 percent from and to Louisville, 0.4 percent from and to Dallas, and 2.6 percent from and to Omaha. In the aggregate no change would be made in 47 rates, 1.4 percent of the total.

The exhibit does not purport to show that there is a movement of each of the commodities, or to show the volume of movement under any of these rates. It does not disclose which rates are exceptions to the classification and which rates are column rates. Between Atlanta and New York the reductions average 53.4 percent and the increases average 46.6 percent. It may be doubted that the rates between Atlanta and Chicago and New York are representative of the interterritorial rates between official and southern territories. Interterritorial class rates between official territory and the border States of Kentucky, southern Virginia, North Carolina, and northeastern Tennessee are on a lower basis. It is also doubtful whether rates between Atlanta and Louisville are representative of rates between all points in southern territory.

COST STUDIES

Cost studies relating to the relative cost of rendering transportation service in the various territories, prepared by F. K. Edwards, our head cost analyst, were received in evidence. Such studies are hereinafter referred to as the Edwards cost studies.[78] Starting with the operating expenses, rents, and taxes of class I steam railways, as reported in their 1939 annual reports, separated between freight service and passenger service in accordance with the rules prescribed by us, the studies involve three principal steps:

1. Assignment of railroads, or divisions thereof, to geographical areas corresponding as nearly as practicable to the rate territories.

2. Expenses for individual railroads, or divisions thereof, in each territory were divided into groups, each group of expenses being associated with appropriate service units, including revenue car-miles, revenue gross ton-miles, and cars originated and terminated. The unit costs were then obtained by dividing the aggregate of the territorial expenses in each group by the applicable territorial units.

3. The cost for particular services was then built up from the unit costs.

Rail costs are fundamentally divisible into two components. First, those expenses which vary directly with the traffic handled, and hence are directly assignable to particular kinds of traffic, i. e., the out-of-pocket or variable expenses, and secondly, those expenses of a constant

[78] They have been reproduced in substantial part in Senate Document No. 68, 78th Cong., 1st sess., under the title "Rail Freight Service Cost Studies In the Various Rate Territories of the United States."

or fixed character, which are not capable of assignment to particular kinds of traffic, and which must be borne by the various kinds of traffic in proportion to the ability of each to pay. The sum of the out-of-pocket costs plus a pro rata distribution of the constant cost is referred to as fully distributed cost.

Out-of-pocket or variable costs were separated among (1) running, (2) switching, (3) station, (4) special services not related to the study (such as the operation of grain elevators and storage warehouses), and (5) general overhead expenses.

Running expenses (for carload service) were further subdivided among (*a*) freight-train car maintenance and rental expense for "other than mileage" cars, (*b*) miscellaneous running expenses common to all cars (including expenses for interchange, intertrain and intratrain switching), and (*c*) all other running expenses (including the wages of train crews, locomotive maintenance, maintenance of way, and train fuel). These three groups of running expenses were distributed over the traffic on the basis of revenue car-miles, excluding mileage cars; revenue car-miles of all cars, including mileage cars; and revenue gross ton-miles, respectively.

Switching expenses were separated between those incurred in connection with work performed at origin and destination points and those incurred in connection with work performed at intermediate points where trains are reclassified or cars interchanged. This separation of the expenses was based on the count of cars given each class of switching, weighted for the relative engine-minutes per car for each kind of work. The weighting factors used were developed from or checked against the engine-minutes determined from a number of switching studies which had previously been introduced in other cases before us, or which had been made by our cost analysts at our direction. Switching expenses at origin and destination were reduced to a loaded-car basis. Switching expenses at intermediate points were included with the miscellaneous running expenses and treated on a car-mile basis. Freight-train car maintenance, both mileage and time portion, incurred in connection with origin and destination switching work, and detention for loading and unloading, was distributed on the basis of revenue carloads originated and terminated.

Station expenses (clerical) were apportioned to carload traffic on a weighted consignment basis, and were reduced to a cost per carload consignment.

Overhead expenses were apportioned to running, switching, station, and services not included in the study on the basis of the directly assigned or apportioned expenses.

The same general procedure was followed in developing costs for less-than carload traffic, except that different weighting factors were

used for freight-house-track switching than for industry or team-track switching. Station clerical expenses, apportioned to less-than-carload traffic on a weighted consignment basis, were reduced to a cost per consignment. Station less-than-carload platform expenses were apportioned between origin and destination work, and work at transfer points, on the basis of the tons handled in each type of service. The expenses at origin and destination points were treated on a cost per ton basis, while that at transfer points was treated as a cost per less-than-carload net ton-mile.

For the purpose of determining the carload fully distributed expenses and over-all revenue needs, the constant costs were distributed over the revenue tons and revenue ton-miles of carload traffic handled after deducting the contribution, if any, made towards such expenses by the less-than-carload and passenger services. This has the effect of spreading the constant expenses over the revenue producing units of traffic ignoring differences of ability to pay. Constant expenses related to origin and destination terminal work were apportioned on a per ton basis, while the remainder was apportioned on a ton-mile basis. Insofar as the constant expenses are concerned, one ton or ton-mile was treated as no different from any other ton or ton-mile. The cost study gave no consideration to differences in the ability to pay of the various kinds of traffic handled in each territory, this being viewed as an element for consideration separate and apart from costs.

The results of apportioning the constant or fixed expenses on the basis of the directly assigned costs, a procedure commonly used in cost studies, was also introduced. However, such figures were restated by our head cost analyst, the explanation being made that the apportionment of the constant expenses on the basis of the direct costs has the effect of substantially increasing the fully distributed cost on light-loading traffic such as less-than-carload traffic. Where the direct costs per ton or per ton-mile vary widely from the system average, the distribution of the constant costs on the basis of such direct costs apportions a relatively large amount of the constant expenses to shipments where the out-of-pocket costs are relatively high and a relatively small amount where the out-of-pocket costs are low. Less-than-carload traffic has a relatively high out-of-pocket cost. The net load per car may range from 4 to 10 tons compared to the carriers' system average loads for all traffic ranging from 25 to 35 tons. The ratio of gross ton-miles to revenue ton-miles may exceed 5 to 1 as compared to ratios of between 2.0 to 1 and 2.5 to 1 obtaining for the carriers' system average traffic. The station clerical expenses per hundredweight are substantially higher than for carload traffic. Less-than-carload traffic receives a platform handling which is not gen-

erally accorded carload traffic. It is obvious that such transportation conditions surrounding the movement of less-than-carload traffic will result in high out-of-pocket or direct expenses per hundredweight. On the other hand, the constant or fixed costs by their very nature are unaffected by the unfavorable transportation conditions peculiar to less-than-carload traffic. As these latter expenses continue irrespective of how the less-than-carload traffic is loaded, and would continue unchanged even though this traffic were not handled at all, their apportionment on a basis which reflects an extremely high ratio of gross ton-miles to net ton-miles, and similar unfavorable operating factors, would not be justified.

Allowances for return were based on recommended rate-making values furnished by our Bureau of Valuation. The return was treated on two bases. Under one method the total allowance for return, computed at both 4 percent and 5¾ percent, was apportioned on the basis of the operating expenses, rents, and taxes. Under the second method the property was separated between line haul and terminal, and the allowance for return distributed using in large measure the same units as were used in distributing the expenses. The study treated 50 percent of the rate-making value of road property and 100 percent of the rate-making value of the equipment as being variable with traffic volume over the long term period. This is equivalent to approximately 57.5 percent of the total rate-making value of the carriers. The allowance for return on the variable portion of the line-haul road property was distributed on a gross ton-mile basis, while the return on the variable portion of the terminal property was distributed on an equated car basis between origin and destination switching and intermediate switching. The allowance for return on freight-train cars was apportioned between running, origin, and destination switching (including detention for loading and unloading), and intermediate switching on an active car-day basis. The allowance for return on the value of locomotives used in switching service was similarly apportioned between origin and destination switching and intermediate switching on the basis of the equated cars handled. The allowance for return on road property, freight-train cars, and yard locomotives thus charged to origin and destination switching was distributed on a per-car basis. The return on property devoted to intermediate switching was treated as proportional to the length of haul and distributed on a car-mile basis. The return on the value of freight-train cars, apportioned on an active car day to running service, was also distributed on a car-mile basis. The return on the value of road locomotives used in running service was distributed on a gross ton-mile basis.

The allowance for return on the constant or fixed portion of the property was treated on the same basis as was the constant or fixed portion of the operating expenses. The return on the constant portion of the property used in connection with origin and destination terminal work was distributed over the traffic originated and terminated on a revenue ton basis. The remainder was related to the line-haul operation and distributed on a revenue ton-mile basis. In the foregoing computations the allowance for return was computed at 4 percent. Adjustments of the cost to reflect any other rate of return were provided for. The territorial cost comparisons were principally based, however, on the 4-percent figure, this being relatively close to the return earned by the carriers in the year covered by the study.

The service units required to move various net loads in given types of cars for varying distance were next accumulated giving recognition to the weight of the load, the tare weight of the car used (box, gondola, et cetera), and the ratio of empty to loaded car-miles experienced throughout the territory on each type of equipment.

These service units were priced out at the territorial average unit costs. This produced the running, switching, and station costs per carload, such cost being next reduced to a cost per 100 pounds of net load. The costs thus computed reflect the net weight of the load, the length of the haul, the tare weight of the equipment, the percent empty return of the equipment and, insofar as switching and station expenses are concerned, whether carload or less than carload. They also reflect territorial average transportation conditions, i. e., main-line and branch-line operation, through-train and way-train operation, operation on lines of heavy traffic density and lines of light traffic density, and the switching performed in large terminals and small terminals. The influence of hauling some types of traffic, such as coal and ore, in heavier than average trains, with the remainder of the traffic being handled in lighter than average trains, was also given consideration in supplementary studies. The territorial comparisons would not be significantly affected by this element.

Relative territorial costs.—Territorial cost comparisons were based on the cost of furnishing a given amount of transportation service in the respective territories, taking into consideration every kind of traffic carried, whether handled in box, gondola, tank, stock, flat, or refrigerator cars, and covering 300 miles of haul. Although cost data were compiled for all lengths of haul, principal weight was attached to the haul of 300 miles per shipment originated as this distance most closely approximates the length of haul in each territory in 1939.

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Approximate average hauls per shipment in the East, South, and West for the year 1939 were computed as follows:

	East, excluding Pocahontas	East, including Pocahontas	South	West
	Miles	*Miles*	*Miles*	*Miles*
Carload	249	273	278	32
Less than carload	454	470	465	46
All shipments	252	276	282	34

Most of the comparisons were based on both the out-of-pocket and the fully distributed costs. While the principal cost comparisons were related to the year 1939, consideration was also given to the relative territorial costs for the periods 1930–39, 1937–41, and 1941. The figures quoted hereinafter are based on cost scales introduced by our head cost analyst, but adjusted to reflect the corrections of record made by him in response to criticisms of the study, and corrected to reflect the revised assignment of commodities to classes of equipment. They do not include payment of loss and damage claims.

The following table contains, for 1939, the indexes of out-of-pocket and fully distributed costs of hauling boxcar, gondola-car and hopper-car traffic for distances of 100, 300, and 500 miles in each territory. Costs are based, first, on assumed identical loads and, secondly, where territorial loading data were available, on the actual average loading by types of equipment experienced in each territory. The base, 100, to which the territorial figures are related, is the average car-load cost in that year for the traffic, in the same classes of cars, in the United States, as a whole.

Relative territorial carload cost indexes (1939) for traffic moving in box and gondola and hopper cars for hauls of 100, 300, and 500 miles

[For purposes of comparison United States average cost=100]

Line No.	Territory and miles	Boxcars				Gondola and hopper cars			
		Based on assumed identical load of 25 tons		Based on actual average loading of boxcars		Based on assumed identical load of 50 tons		Based on actual average loading of gondola	
		Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	New England (territory 1):								
1	100 miles	111	134			119	143		
2	300 miles	119	143			128	152		
3	500 miles	123	145			131	154		

Relative territorial carload cost indexes (1939) for traffic moving in box and gondola and hopper cars for hauls of 100, 300, and 500 Miles—Continued

Line No.	Territory and miles	Boxcars				Gondola and hopper cars			
		Based on assumed identical load of 25 tons		Based on actual average loading of boxcars		Based on assumed identical load of 50 tons		Based on actual average loading of gondola	
		Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Eastern excluding New England (territory 2):								
4	100 miles	106	101			106	100		
5	300 miles	105	100			103	97		
6	500 miles	106	100			103	97		
	Eastern including New England (territories 1, 2):								
7	100 miles	106	102	108	104	106	102	106	102
8	300 miles	105	102	107	103	103	100	103	100
9	500 miles	106	102	106	102	104	100	104	99
	Pocahontas (territory 5):								
10	100 miles	83	69	84	70	84	65	84	65
11	300 miles	82	67	84	68	82	63	82	63
12	500 miles	82	67	83	67	81	63	81	63
	Eastern including New England and Pocahontas (territories 1, 2, 5):								
13	100 miles	102	98	104	99	103	95	100	95
14	300 miles	102	96	103	96	102	94	100	93
15	500 miles	102	95	103	96	101	93	100	93
	Eastern including New England and State of Kentucky:								
16	100 miles	104	101			106	100		
17	300 miles	104	101			103	99		
18	500 miles	104	100			103	99		
	Eastern including New England, Pocahontas, and State of Kentucky:								
19	100 miles	102	97			103	95		
20	300 miles	101	96			100	93		
21	500 miles	101	95			100	93		
	Southern (territory 6):								
22	100 miles	89	92	90	94	94	95	100	98
23	300 miles	93	96	96	97	97	99	103	102
24	500 miles	95	98	97	99	100	101	105	104
	State of Kentucky: [1]								
25	100 miles	79	76			84	75		
26	300 miles	82	77			86	77		
27	500 miles	83	77			88	78		
	Southern, excluding State of Kentucky: [1]								
28	100 miles	91	95			94	100		
29	300 miles	96	101			100	105		
30	500 miles	97	103			102	107		
	Eastern, including New England and Southern (territories 1, 2, 6):								
31	100 miles	102	100			103	100		
32	300 miles	102	101			103	100		
33	500 miles	103	100			103	100		
	Western (territory 11):								
34	100 miles	98	107	98	107	100	109	113	115
35	300 miles	99	108	99	108	98	109	109	115
36	500 miles	100	108	99	108	99	109	109	114

[1] Because of an inability to separate the Kentucky carriers' constant or fixed costs between those solely related to Kentucky and those common to the carriers' entire system operations, an expense basis of apportionment was used. This treatment, coupled with the very heavy density of traffic in Kentucky, results in some understatement of the fully distributed costs for the State of Kentucky and a small overstatement of these costs in the remainder of the South.

Referring to lines 7-9 and 22-24 of the table, it will be noted that the fully distributed costs for the South are generally a little lower

than for the East, including New England, but excluding the Pocahontas territory. The fully distributed costs in the West, on the other hand, lines 34–36, exceed those of the East by from 6 to 15 percent. The relatively high figure of 15 percent applicable on gondola- and hopper-car traffic is occasioned in part by the low average loading for gondola and hopper cars in the West, i. e., 43.0 tons as compared with 50.4 tons in the East. It will be noted that the combination of the costs for eastern and southern territories, exclusive of the Pocahontas territory, lines 31–33, results in costs for the combined territories which are equal to or slightly lower than those for the eastern territory when taken alone. The costs for the South would have to be approximately equal to those for the East to produce this result.

If the Pocahontas territory is included with the East, lines 13–15, the figures show approximately equal costs between the South and East on boxcar traffic, but differences favoring the East of from 5 to 9 percent on gondola- and hopper-car traffic. The costs for the West are 12 percent higher on boxcar traffic and from 15 to 22 percent higher on gondola- and hopper-car traffic than those for the East if the Pocahontas territory is included with the East.

Although relative costs are not shown separately for the western trunk-line, southwestern, and mountain-Pacific territories, the Edwards cost studies indicate that the differences between the costs shown for the total West and the costs for these three rate territories considered separately are relatively small.[79]

The costs in the Pocahontas and Kentucky territories are low because of the existence of a very heavy coal tonnage. A comparison of the costs for the East, excluding Pocahontas territory, lines 7–9, with the costs for the South, excluding Kentucky, lines 28–30, and based on assumed identical loads in each territory, show a slightly lower cost on boxcar traffic in the South but a higher cost by 5 percent on gondola-car traffic. These studies indicate that the costs for the State of Kentucky are lower than the costs for either the East or South.

The preceding comparisons have been based on boxcar traffic and gondola- and hopper-car traffic. Similar cost comparisons were made for several territories for stock-car traffic, refrigerator-car traffic, tank-car traffic, and flat-car traffic. Based on the actual average loads experienced for each class of equipment, the costs for the South are lower than those for the East (including New England but excluding Pocahontas) for traffic moving in all the foregoing classes of equipment. The costs for the West are lower than those for the East as to

[79] Our head cost analyst verified two sets of exhibits: In the first the constant or fixed costs were apportioned on the basis of the out-of-pocket costs. As this procedure had the disadvantage of apportioning a relatively large amount of the constant expenses to shipments where the out-of-pocket expense is relatively high, the costs were restated apportioning the constant or fixed costs on a ton and ton-mile basis. The restatement shows costs only for the West taken as a whole.

stock-car traffic, refrigerator-car traffic, and flat-car traffic, but higher for tank-car traffic.

Comparison based on carload traffic handled in all classes of equipment.—The following table provides territorial comparisons of indexes of the carload out-of-pocket and fully distributed costs (1939) for traffic moving distances of 100, 300, and 500 miles in all classes of equipment. This comparison is limited to certain territories as the unit costs for each class of equipment were not computed for all areas. The figures in columns (2) and (3) are computed for identical loads in each territory, i. e., boxcars, 25 tons; gondola and hopper cars, 50 tons; flat cars, 29 tons; stock cars, 11 tons; refrigerator cars, 14 tons; and tank cars, 30 tons. These loads approximate the United States averages for the classes of equipment named. The figures in columns (4) and (5) are computed for the actual average loads obtaining for each class of equipment in each territory. The weighting given to the costs for each class of equipment was based on the volume of traffic handled in each type of equipment in the United States. The terminal costs for each class of equipment were weighted for the total United States traffic handled in each class of equipment as measured by tons originated plus tons terminated. Line-haul costs by classes of equipment were weighted for the ton-miles of traffic handled in each class of equipment:

Relative territorial cost indexes (1939) for all carload traffic for hauls of 100, 300, and 500 miles

[United States average cost=100]

Line No.	Territory and miles	Based on identical loads		Based on actual average loads	
		Out-of-pocket costs	Fully distributed costs	Out-of-pocket costs	Fully distributed costs
	(1)	(2)	(3)	(4)	(5)
	Eastern including New England (territories 1, 2):				
1	100 miles	106	102	106	103
2	300 miles	105	102	106	102
3	500 miles	105	101	106	102
	Pocahontas (territory 5):				
4	100 miles	84	68	84	68
5	300 miles	82	67	83	67
6	500 miles	82	66	82	66
	Eastern including New England and Pocahontas (territories 1, 2, 5):				
7	300 miles		95		95
	Southern (territory 6):				
8	100 miles	92	94	96	96
9	300 miles	97	98	100	101
10	500 miles	98	100	102	102
	Western (territory 11):				
11	100 miles	98	108	103	110
12	300 miles	99	108	102	110
13	500 miles	99	108	102	110

It will be noted from the table, that, based on identical loads and hauls of 300 miles, the fully distributed costs in the South are 4 percent below those for the East, excluding the Pocahontas territory, and

3 percent above the East, including the Pocahontas territory. Based on the actual average loads the fully distributed costs for the South are 1 percent below those for the East, excluding the Pocahontas territory, and 6 percent above the costs for the East, including the Pocahontas territory. Based on identical loads, the fully distributed costs for the West are 6 percent above those for the East, excluding the Pocahontas territory, and 13 percent above those for the East, including the Pocahontas territory. Based on actual average loads the fully distributed costs for the West are 8 percent above those for the East, excluding the Pocahontas territory, and 15 percent above those for the East, including the Pocahontas territory.

The figures in this table were based on the costs for each class of equipment weighted for the volume of traffic handled in each type of equipment, taking the United States as a whole. The substitution of a weighting based on the territorial consist of traffic, i. e., the volume of traffic handled in each type of equipment in the respective territories, would make no significant difference in the comparisons shown in this table.

Cost of hauling the boxcar and gondola-car traffic of one territory in another territory.—Comparisons were made of the cost of hauling the entire consist of the traffic of one territory, at the average loads and unit costs applicable in that territory, with the cost of hauling the identical traffic at the average loads and unit costs obtaining in other territories. For example, a comparison was made of the expense of hauling the southern territory boxcar traffic a distance of 300 miles at the average load for each commodity using Southern unit costs, with the cost of hauling this identical traffic a distance of 300 miles at the average loads and unit costs obtaining in the Eastern territory (excluding New England and Pocahontas). Similar comparisons were made using the Eastern consist of boxcar traffic. Like studies were made also for gondola and hopper-car traffic. The results of these comparisons are shown in the following table:

Comparison of the cost of hauling southern and eastern boxcar and gondola-car traffic at the average loads and unit costs obtaining in each territory

Item	Ratio (percent) of southern costs to eastern costs using southern consist of traffic	Ratio (percent) of southern costs to eastern costs using eastern consist of traffic
(1)	(2)	(3)
Boxcar traffic		
Out-of-pocket costs	95	99
Fully distributed costs	100	97
Gondola and hopper-car traffic		
Out-of-pocket costs	97	102
Fully distributed costs	102	106

The above comparisons are based on the cost figures for eastern territory No. 2 which excludes New England. If New England were included the percentage figures shown would be reduced by 1 or 2 percent.

Comparison of the costs of hauling the United States, eastern, southern, and western consists of traffic in each territory.—The following table provides a comparison based on the assumption that the total consist of traffic handled in each of several territories was hauled in the East, South, and West at the unit costs and average loads actually obtaining for each class of equipment in each of these territories. The figures do not include loss and damage and no attempt was made to develop the average loading by individual commodity classes, the composite average load by classes of equipment being used. The comparisons are not based on any given mileage, the aggregate costs being computed for the total revenue tons originated and terminated and the total revenue ton-miles by classes of equipment.

Comparison of the cost of hauling the United States, eastern, southern, and western consist of traffic in each of several territories at the unit costs and actual average loads (by classes of equipment) computed for such territories

[United States average cost=100]

Line No.	Consist of traffic (1)	If hauled at United States average costs (2)	If hauled at eastern [1] costs (3)	If hauled at southern costs (4)	If hauled at western costs (5)
1	United States consist	100	102	101	110
2	Eastern consist [1]	100	101	101	111
3	Southern consist	100	102	101	
4	Western consist	100	102		108

[1] Eastern consist and costs include New England but exclude Pocahontas.

The costs in the South are approximately equal to or slightly lower than the costs for the East, excluding Pocahontas. The costs in the West are from 6 to 10 percent higher than those in the East, depending upon the consist of traffic used in making the comparisons.

Comparisons of the east, excluding Pocahontas, with the south, excluding Kentucky.—Cost comparisons for the East, excluding the Pocahontas territory, with the South, excluding the State of Kentucky, are shown separately for boxcars and gondola and hopper cars. Similar comparisons covering all classes of equipment could not be provided as the data for stock, refrigerator, tank, and flat cars were not available. However, as boxcars and gondola and hopper cars together account for about 90 percent of the total revenue ton-miles in the eastern district and about 83 percent of the total revenue ton-miles in the southern region, a comparison was made based on these two classes of equipment combined. The results should be reasonably indicative of the

over-all costs. It was assumed that the traffic was equally distributed between the two classes of equipment, i. e., the same weight was given to the cost per ton for traffic handled in boxcars as was given traffic handled in gondolas.[80] A load of 25 tons was used for the boxcars and a load of 50 tons for the gondola and hopper cars. The fully distributed cost per 100 pounds for a haul of 300 miles in boxcars is 16.8 cents in the East and 16.1 cents in the South, excluding the State of Kentucky. The cost for gondola and hopper cars is 13 cents in the East and 13.6 cents in the South, excluding the State of Kentucky. The weighted average cost for the South, excluding Kentucky, of 14.85 cents per 100 pounds exceeds the weighted-average cost for the East, excluding Pocahontas, of 14.60 cents by 1.7 percent. From this test it appears that the 1939 over-all costs for the South, excluding Kentucky, are but little different from the costs for the East, excluding the Pocahontas region.

Comparisons based on the territorial average costs per ton-mile adjusted for differences in lengths of haul and consist of traffic.—The southern carriers introduced territorial comparisons based on average net ton-mile costs adjusted for differences in the length of haul and the consist of the traffic. The studies covered a 10-year period, 1930–39. Our head cost analyst restated the data to remove the deficiencies which he believed were present in the studies.[81] The results of the restatements, based on the application of the southern unit costs and the eastern unit costs, respectively, to the eastern consist of traffic, show the costs for the South to be approximately 1 or 2 percent below those for the East, excluding the Pocahontas territory. Practically the same results are obtained by using the southern consist of traffic. The costs for the South are found to be 6 to 8 percent higher than the costs for the East, including the Pocahontas region. The eastern carriers introduced the same type of cost comparisons based, not on the years 1930–39, but on the 5 years, 1937–41, a period which reflects the increased traffic volume of 1940 and 1941. The costs for the South were found to be approximately 9 percent below those for the East, excluding Pocahontas, and approximately the same as those for the East, including the Pocahontas region.

The same basis of comparison, using the period 1930–39, shows the costs for the West to exceed those for the East, excluding the Pocahontas region, by from 5 to 7 percent, depending on the use of the

[80] In 1941, 44 percent of the tons originated and terminated in the eastern district consisted of anthracite, bituminous coal, and iron ore, while in the southern region, excluding Kentucky, the comparable figures were only 18.7 percent. While these commodities do not account for all the traffic moving in gondolas and hoppers it is sufficient to indicate that the use of an equal weight for boxcar costs as for gondola- and hopper-car costs slightly overstates the over-all costs for the South relative to that for the East which has the lower cost for gondola- and hopper-car traffic.

[81] The deficiencies are discussed hereinbelow in the description of cost studies introduced by others.

western or the eastern consist of traffic. A comparison with the East, including the Pocahontas region, and using the eastern consist of traffic, shows the Western costs to be higher by 18 percent. No similar comparison was made based on the period 1937–41.

Territorial comparisons of less-than-carload costs.—The following table provides territorial comparisons of the less-than-carload cost indexes based both on the less-than-carload out-of-pocket expenses and the out-of-pocket expenses plus those constant expenses which could be solely related to less-than-carload traffic. The less-than-carload costs do not include any of the constant or fixed costs common to all traffic. If these costs were included (but excluding passenger and less-than-carload deficits which were grouped with these constant expenses), the costs shown in columns (4) and (7) would be increased by approximately 5 to 7 percent. Deficits incurred in the handling of less-than-carload traffic based on the difference between less-than-carload revenues and the sum of the out-of-pocket costs, the constant costs solely related to less-than-carload traffic and the payments for collection and delivery service, are included in the carload fully distributed cost indexes.

Relative territorial cost indexes (1939) for less-than-carload traffic having hauls of 100, 300, and 500 miles, based, first, on an assumed identical load of 5 tons and, secondly, on the actual average load experienced in each territory in 1939

[United States average cost = 100]

Line No.	Territory	Assumed identical load			Actual average load		
		Load (tons)	Out-of-pocket cost	Out-of-pocket cost plus constant expenses solely related to less than carload	Load (tons)	Out-of-pocket cost	Out-of-pocket cost plus constant expenses solely related to less than carload
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Eastern, including New England (territories 1, 2):						
1	100 miles	5	102	98	6.4	92	92
2	300 miles	5	105	101	6.4	94	93
3	500 miles	5	107	103	6.4	94	94
	Pocahontas (territory 5):						
4	100 miles	5	93	89	5.6	93	88
5	300 miles	5	90	89	5.6	89	87
6	500 miles	5	89	88	5.6	87	87
	Eastern, including New England and Pocahontas (territories 1, 2, 5):						
7	100 miles	5	101	97	(1)	----	----
8	300 miles	5	1103	100	(1)	----	----
9	500 miles	5	104	101	(1)	----	----
	Southern (territory 6):						
10	100 miles	5	87	84	5.5	86	84
11	300 miles	5	89	87	5.5	88	86
12	500 miles	5	90	88	5.5	89	87
	Western (territory 11):						
13	100 miles	5	108	114	4.3	122	123
14	300 miles	5	104	109	4.3	120	121
15	500 miles	5	102	107	4.3	120	120

[1] Average load not available.

This table indicates that the less-than-carload costs in the South are lower than those in the East, while the less-than-carload costs in the West are higher than those in the East, particularly when the costs are based on the actual average less-than-carload loading experienced in the respective territories in 1939.

A witness for the official territory lines compared the rate scales for classes 1, 2, 3, and 4, subject to the 45-cent minimum rate for pick-up and delivery, with scales of costs developed from the Edwards cost studies for the East, including New England and Pocahontas, using average loads of 6.5, 8, 10, and 12 tons. Order No. 1 of the Office of Defense Transportation, requires, with certain exceptions, a minimum load of 10 tons of less-than-carload freight. In October 1942 the average loading was 10.6 tons. Whether this loading can be maintained after the war is problematical. The indications are that the railroads will endeavor to do so. The results of this comparison may be summarized as follows:

Cost level	6½ tons	8 tons	10 tons	12 tons
1. Out-of-pocket operating expenses, rents, and taxes	Below fourth-class rate scale.	Below fourth-class scale.	Below fourth-class scale.	Below fourth-class scale.
2. Total out-of-pocket including the 4-percent return.	Below fourth-class rate scale for hauls under 470 miles.			
3. Out-of-pocket operating expenses, rent, taxes, and pick-up and delivery.	Below third-class rate scale.	Below fourth-class scale for hauls under 260 miles (1).	Below third-class scale.	Below fourth-class scale except for for hauls of 225 to 380 miles.(2)
4. Total out-of-pocket including 4-percent return and pick-up and delivery.				
5. Total out-of-pocket and solely related expenses.		Below third-class scale except for hauls of 40 to 200 miles. Below second-class scale except for hauls between 40 and 70 miles.	Below third-class scale except for hauls of 75 to 140 miles	Below third-class scale except for hauls of 95 to 120 miles.
6. Total out-of-pocket, solely related expenses plus pick-up and delivery.	Below second-class rate scales except for hauls of 25 to 90 miles and under first-class rates except for hauls of 25 to 45 miles.			

(1) Closely approximates fourth-class rate scale for longer hauls.
(2) Closely approximates fourth-class rate scale for distances in excess of 225 miles.

The rate scales in each instance include pick-up and delivery service, whereas only three of the cost bases include the cost of pick-up and delivery. The average cost of pick-up and delivery was computed by dividing the total pick-up and delivery expenses by the total less-than-carload 100 pounds carried. The resulting average was 7.68 cents per 100 pounds. Some of the less-than-carload traffic does not receive a pick-up and delivery service. Class-rate traffic moves over routes that are probably 10-percent or more longer than the short line on which the class-rate scales are based. If the pick-up and delivery payments and allowances were spread only over the traffic that

receives collection and delivery service the cost of such service would be higher than 7.68 cents per 100 pounds. If allowance were made for circuity the line-haul costs would be increased by at least 10 percent. Payment of loss and damage claims was not included in any of these cost bases.

It will be observed that with a 6.5-ton load only the first- and second-class rates are above the cost basis No. 6, total of the out-of-pocket and solely related expenses plus pick-up and delivery, and that for certain distances they are not above this basis of cost. A test which was made in 1939 shows that 69 percent of the less-than-carload revenues in official territory came from traffic rated 65 percent of first class or higher. The analysis of less-than-carload traffic for the week of September 8 to 14, 1939, previously referred to, shows that the weighted-average class rate on intraterritorial traffic in official territory was 65.9 percent of first class, and on traffic originated, and terminated in official territory 66.6 and 66.1 percent of first class, respectively. Second-, third-, and fourth-class rates in official territory are 85, 70, and 50 percent of first class, respectively; rule 26 is 55 percent of first class.

The following table shows the deficits incurred in handling less-than-carload traffic in 1939:

Less-than-carload comparisons of costs, revenues, and deficits

Line No.	Item	Eastern (territories 1 and 2)	Pocahontas (territory 5)	Southern (territory 6)	Western (territory 11)	United States (territory 12)
	(1)	(2)	(3)	(4)	(5)	(6)
1	Out-of-pocket cost including 4 percent return on value	$96,746,492	$6,987,291	$35,375,667	$88,912,591	$226,818,622
2	Constant expenses solely related to less than carload	25,824,542	1,578,871	8,425,605	24,592,128	60,421,143
3	Constant expenses solely related to less than carload, adjusted [1]	17,936,694	1,186,369	5,911,853	16,484,022	41,518,937
4	Collection and delivery payments and allowances	10,737,873	632,881	3,649,912	9,641,496	24,662,162
5	Out-of-pocket cost plus total solely related expenses plus collection and delivery (lines 1, 2, 4)	133,308,907	9,199,043	47,451,184	123,146,215	311,901,927
6	Out-of-pocket cost plus adjusted solely related expenses plus collection and delivery (lines 1, 3, 4)	125,421,059	8,806,541	44,937,432	115,038,109	292,999,721
7	Less-than-carload revenues	107,155,756	8,742,308	46,635,725	88,797,938	251,331,727
	Less-than-carload income or deficit					
8	Basis of total solely related expenses plus c. and d. (line 7 minus line 5)	[2] 26,153,151	[2] 456,735	[2] 815,459	[2] 34,348,277	[2] 60,570,200
9	Basis of adjusted solely related expenses plus c. and d. (line 7 minus line 6)	[2] 18,036,303	[2] 64,233	+1,698,293	[2] 26,240,171	[2] 40,667,994

[1] For purposes of territorial comparison it is assumed that 100 percent of the constant portion of terminal operating expenses, rents, and taxes assigned and apportioned between carload and less-than-carload services, are separable between the two services. Actually, however, some portion of these expenses are common to all services and would continue if less-than-carload service were discontinued. If we adjust for this fact by reducing by 50 percent the constant station clerical expenses as solely related to less than carload we arrive at the adjusted figures shown above.

[2] Deficit.

The best showing is in southern territory.

Comment on the territorial differences in costs.—A significant feature of all preceding comparisons is that the out-of-pocket costs (i. e., the directly assignable expenses) in the South and West are frequently as low as, or even lower than the out-of-pocket costs in the East. This is despite the fact that a uniform percentage of each expense item was taken in the East, South, and West in computing the out-of-pocket costs, although the analysis of the out-of-pocket costs by territories indicated that, if anything, a somewhat larger percentage of the expenses in the East is variable with added traffic than is true of the South and West.[32] The difference in the fully distributed costs between the East and the West is largely in the constant or fixed expenses and the passenger and less-than-carload deficits.

Data of record indicate that the increase in freight traffic volume received by the carriers subsequent to the year 1939 has served to reduce the unit costs of transportation in the South and West in a proportionately greater degree than in the East. This results from the fact noted above that a larger proportion of the carload freight revenue needs in the South and West consists of the constant or fixed costs than is true in the East, and these expenses do not increase with added freight traffic. For example, the ton-miles of revenue freight carried in 1941 as compared with 1939 increased by 43 percent in the eastern (including New England) 27 percent in the Pocahontas, 44 percent in the southern, and 46 percent in the western territories. The cost per revenue ton-mile decreased by only about 5 percent in the East and the Pocahontas territories as compared with decreases of something in excess of 10 percent in the South and West.

Criticisms of the Edwards cost studies.—Carriers and shippers offered many criticisms of the Edwards cost studies. Some were directed to such items as errors in computation, erroneous separations of running and train switching expenses, the exclusion of intra-terminal switch cars, and the count of less-than-carload and carload tonnage handled. Corrections for several items of this character were made and introduced in the record.

Other criticisms were directed to the apportionment factors used in the formula, such as the relative weight from a cost of service standpoint, given to each class of switching service; the car-day allowances for loading, unloading, and switching of freight-train cars; the separation of station clerical expenses between carload and less-than-carload; and the ratio of empty to loaded mileage by classes of equipment. In support of the factors used, our head cost analyst referred to various

[32] The reason apparently lies in the fact that the East, with its higher traffic density, is closer to the maximum capacity of the plant than is true in the other districts and hence the influence of added traffic on costs is here greater.

special studies made for the purpose of this, and other cases, and to his analysis of data of a similar character introduced by carriers in other proceedings. He also introduced a series of tables showing the effect on the cost scales of various possible variations in the factors used, the result in most cases being but a negligible shift in the expenses from one type of car to another type of car, or from one length of haul to another length of haul. This followed from the fact that most of the apportionment factors while reflecting the relative cost for one class of work relative to another class of work, had no influence on the aggregate costs. Allowance for empty miles by classes of equipment was reconciled with the carriers' total empty miles reported by regions for all classes of equipment. Also reconciled within a very close margin were the costs developed in the cost scales and the carriers' total known expenses by regions and districts. The reconciliation appears below:

Line No.	Territory (1)	Aggregate expenses, increased for a 4-percent return computed by applying cost to traffic handled (1939) (2)	Actual expenses as reported by carriers increased for a 4-percent return (1939) (3)	Ratio (percent) of computed expenses to actual expenses (4)
1	Eastern	$1,426,950,260	$1,451,484,949	98.3
2	Pocahontas	183,078,590	185,387,990	98.8
3	Southern	450,448,155	449,601,563	100.3
4	Western	1,382,549,992	1,395,188,845	99.1
5	United States (lines 1-4)	3,443,024,997	3,481,063,347	98.9

Judging from the above table, whatever errors may exist in the Edwards studies, they have not had the effect of overstating or understating the carriers' costs in the aggregate to any appreciable degree.

For the purpose of the foregoing reconciliation, costs were developed by individual commodity classes and summarized, the constant costs (as explained hereinabove) being distributed pro rata on a ton and ton-mile basis disregarding the element of value of service. The resulting costs by commodity classes were criticized by the carriers on the ground that the ratios of freight revenues to fully distributed costs on some commodities in the South, such as peaches and livestock (cattle and calves, single deck), show them to be more profitable than coal. The result was stated to be contrary to the generally accepted experience. The ratios referred to reflect the compensatory character of the revenues when reduced to a per ton or per ton-mile basis. For example, the revenue per ton-mile for peaches, livestock, and coal in the South was shown to be 1.95 cents, 2.20 cents, and 0.59 cents, respectively. Ton-mile for ton-mile the contribution of peaches and livestock to the con-

stant costs is greater than that realized on coal. On the other hand, when the relative volume of the traffic is taken into consideration, the studies indicate that the aggregate contribution made by peaches or livestock to the carriers' fixed costs and return, i. e., the excess of total revenue over out-of-pocket costs, constitutes only about 1 or 2 percent of that realized from the coal traffic.

A similar example was offered based on the transportation of watermelons and coal in the Pocahontas region. The revenues are 1.32 cents and 0.54 cent per ton-mile and the contributions above out-of-pocket costs are 0.51 and 0.25 cent per ton-mile, respectively. Based on the volume of watermelon and coal traffic the contribution to fixed costs and profits made by watermelons approximates 53 thousand dollars as compared to approximately 75 million dollars for bituminous coal. Viewed in this light, the cost studies support the generally accepted view as to the profitability of coal traffic.

Criticism was made that the territorial average costs for gondola- and hopper-car traffic found for the western territory were not applicable to the ore tonnage handled by the Great Northern or the Duluth, Missabe and Iron Range Railroad. This is true. On the other hand, the intent of the cost study was to reflect territorial average operating conditions, including main-line and branch-line operations, through train and way train operations, operations of lines of heavy-traffic density and lines of light-traffic density, and the switching performed at large terminals and small terminals. It is obvious that some lines in virtue of their topography or traffic density will have costs which are lower or higher than the territorial average. The Duluth, Missabe and Iron Range and the ore-handling sections of the Great Northern are obviously in this category. The fact that the territorial average costs as developed do not exactly fit such operations does not invalidate the costs for the purpose for which they were developed. The exclusion of the Great Northern has a negligible effect upon the territorial average costs.

Criticism was made of the rate-making values used, the figures being based on data furnished by our Bureau of Valuation. This criticism has little weight, however, as the relation between our Bureau's rate-making value and the carriers' book investment differed little by territories. The comparisons of relative territorial costs would be little affected regardless of whose valuation figures were used.

Criticism was made of the carrier and territorial groupings used in the Edwards studies. Our head cost analyst subsequently reworked the costs to show all combinations of regions and areas requested by respondents to the proceeding.

Territorial cost studies introduced by others.—Cost data dealings with the relative territorial costs were introduced by witnesses for the southern governors, the southern carriers, the State of New York, and the Kansas State Corporation Commission. Exhibits introduced by the southern governors provided an analysis of the terminal and line-haul costs appearing in the Edwards studies showing variations in the unit costs among the individual railroads in each district. Maximum, minimum, and average costs were presented. The exhibits also contained statistical data showing the relative importance of various commodities in each of the several regions, average loads, traffic densities by regions and individual carriers, et cetera. The purport of the data was to support the thesis that costs are lower in the South than in the East.

The southern carriers introduced cost comparisons for the South and East, both including and excluding the Pocahontas territory, based on the average net ton-mile costs in each region adjusted for differences in the length of haul and the consist of traffic. The studies covered the 10-year period, 1930–39. These studies are subject to some criticisms. The data relied to a substantial degree upon the separation of expenses between line-haul and terminal developed in the Edwards cost studies. However, the southern carriers made a drastic departure from the Edwards formula in that it grouped with the terminal expenses all of the fixed or constant expenses which were attributed by the Edwards study to the line-haul operation and distributed on a ton-mile basis. For example, whereas the Edwards study developed that the costs for the East were 24-percent independent of distance and 76 percent variable with distance, the southern carriers changed this to 53 percent independent of the distance and 47 percent variable with distance. The effect was to eliminate from consideration, as to substantial part of the expenses, the longer average haul obtaining in the South compared to the East. Other factors subject to criticism relate to the average haul per ton per railroad which was used in lieu of the average haul per shipment upon which the formula was based, and the composition of traffic assigned to gondola and hopper cars. Our head cost analyst restated these exhibits and expanded them to include comparisons for the 10-year period between the eastern and western carriers. The results of such restatements have been shown above. The eastern carriers introduced exhibits restating the southern carriers' studies, but using the 5-year period 1937–41. The figures showed the costs for the South to be 98.2 percent of those for the East, including Pocahontas, and 91.3 percent of the costs for the East, excluding Pocahontas. Our head cost analyst restated the latter exhibits to correct what he believed to be minor errors of application. The result changed the foreging figures to read 99.4 and 91.9 percent, respectively.

Witness for the State of New York introduced comparisons of the costs per revenue ton-mile for various groups of railroads in the South and East. Such comparisons of revenue ton-mile costs, however, are subject to the following criticisms: No separation was made between line and terminal with the result that, other factors being equal, the territory having the longest average haul per shipment would inevitably have the lowest cost per revenue ton-mile, the terminal expenses being spread over more ton-miles. No separation was made between classes of equipment, the low cost per revenue ton-mile for heavy loading coal traffic being combined on a weighted average basis with the higher ton-mile cost for manufactured products. Other factors being equal, the region having the greatest proportion of coal traffic would, under such a procedure, show the lowest cost. No effort was made to accumulate the cost on the basis of homogeneous service units required in the handling of each class of traffic in each class of equipment, such as was accomplished in the Edwards studies.

The Kansas State Corporation Commission introduced cost and statistical comparisons purporting to show that the costs in southern Missouri were lower than those of the Kansas railways, and that the costs for the Kansas railways in turn were lower than those in northern Missouri. Reliance was placed on various statistical ratios, including freight-operating rations, freight expense per locomotive ton-mile, freight expense per revenue ton-mile, ratio of revenue freight ton-miles to gross ton-miles, ratio of nonrevenue freight to revenue freight, freight expense per gross ton-mile, average carloading, and ratio of empty car-miles to loaded car-miles. It was found that six out of the eight ratios favored southern Missouri as compared with northern Missouri, the conclusion being reached that southern Missouri freight costs were lower than northern Missouri costs. Five of the eight ratios favored southern Missouri as compared with Kansas, the conclusion being reached that southern Missouri railways had a lower relative freight cost than Kansas railways. Some of these ratios, such as the operating ratio, may reflect not merely relative costs but differences in rate levels and differences in the consist of traffic. No attempt was made to adjust for differences in the average length of haul through a separation of the terminal expenses from the line-haul expenses, nor were differences in the consist of traffic recognized by developing costs by classes of equipment. The differences in some of the ratios are relatively small. For example, the freight expense per gross ton-mile was found to be 0.245 cent in Kansas, 0.251 cent in northern Missouri and 0.258 cent in southern Missouri. The costs per revenue ton-mile were 0.785 cent in Kansas, 0.823 cent in northern Missouri, and 0.763 cent in southern Missouri. While many of the ratios favored southern Missouri, the margin in many cases is very small. Relatively small

segments of the operations of many of the carriers were included in the study, and the separation of the expenses for these segments is not wholly reliable. From the data of record, it is not possible to draw any specific conclusions that the costs in one or other of the areas named exceed the costs in the remaining areas. At most, the conclusion may be drawn that the costs in the respective areas do not vary substantially.

Summary.—The various comparisons of territorial costs reviewed hereinabove show that there is little significant difference in the cost of furnishing transportation in the South as compared to the East, excluding the Pocahontas territory. The figures both for the year 1939 and the period 1930–39 indicate that, taken as a whole, the costs in the South are equal to or a little lower than those in the East. If the period 1937–41 is used, the costs in the South are substantially lower than those in the East.

If the Pocahontas territory is included with the East, the costs for the South, based on the year 1939, are between 3 and 6 percent above those for the East. This differential would be increased to something between 6 and 8 percent if the years 1930–39 were used, a period including years of depression traffic. On the other hand, this differential would be eliminated if the 5-year period, 1937–41, were used. The unit costs of rendering transportation service in the South increase more rapidly with declining traffic volume and decrease more rapidly with increased traffic volume than is true for the East. On the basis of the 1939 figures, the costs for the East, including New England but excluding Pocahontas, are approximately the same as the costs for the South, excluding the State of Kentucky.

Comparisons based on the year 1939 and the period 1930–39 show the over-all cost of rendering transportation service in the western territory to be between 5 and 10 percent higher than in the East, excluding the Pocahontas territory. If the year 1941 were used, this difference would be reduced to 5 percent or less. A comparison based on the inclusion of the Pocahontas territory with the eastern roads for the period 1930–39 shows a difference of 18 percent. Based on the year 1939 the difference shrinks to approximately 15 percent. Based on the year 1941 it would be reduced to something in the neighborhood of 10 percent.

The relative territorial costs of less-than-carload traffic, for a haul of 500 miles, based on actual average loads are 5 to 8 percent higher in the East, including New England but excluding Pocahontas, than in the South. Costs in the West are 27 percent higher than in the East, including New England but excluding Pocahontas. Less-than-carload traffic as a whole, is carried at a deficit in all territories, except possibly in the South.

SOUTHERN TERRITORY

Systems and levels of class rates, South versus East.—The class-rate structures of the South and official territory differ from each other in four major respects: (1) In the levels of the scales, (2) in the progressions of the scales, (3) in the relations of the several component scales which make up the class-rate system, and (4) in the governing freight classifications. The difficulties involved in any attempt to compare the average levels of these two rate structures, as well as the others, have been pointed out. As previously stated, the first-class rates in the South average about 37.7 percent higher than the first-class rates in official territory. The K–2 scale of class rates within the South grades up with distance more rapidly than the official scale. However, for distances up to 190 miles the two scales have been brought more closely together by voluntary action of the southern carriers on July 7, 1941.

A comparison of the first-class rates in the K–2 scale, with those in the modified southern scale, and with those in the eastern or official scale, for distances up to 190 miles is shown below:

All rates shown include the Ex Parte No. 123 increase of 10 percent

Miles	K-2 scale	Modified K-2 scale	Difference	Eastern official scale	Modified southern scale, percent of eastern scale
5	37	40	+3	33	121.2
10	40	40	----------	34	117.6
15	43	42	−1	36	116.6
20	45	44	−1	37	118.9
25	48	46	−2	40	115
30	51	48	−3	41	117
35	54	51	−3	43	118.6
40	56	53	−3	44	120.4
45	59	55	−4	46	119.6
50	62	57	−5	47	121.2
55	65	59	−6	50	118
60	67	62	−5	51	121.6
65	70	64	−6	53	120.7
70	73	66	−7	54	122.2
75	75	68	−7	56	121.4
80	77	70	−7	57	122.8
85	79	73	−6	58	125.8
90	80	75	−5	59	127.1
95	81	77	−4	61	126.2
100	84	79	−5	62	127.4
110	87	83	−4	64	129.6
120	90	86	−4	66	130.3
130	94	89	−5	68	130.9
140	97	92	−5	70	131.4
150	100	96	−4	73	131.5
160	103	99	−4	74	133.7
170	106	102	−4	76	134.2
180	108	106	−2	77	137.6
190	110	109	−1	79	137.9

Lack of uniform ratings in relation to first class produces many differences in rates as between the South and official territory. The extent to which items are rated differently, in relation to first class in the southern and the official classifications, is indicated in the following table:

	Number of items				Percent of total
	Less than carload	Any quantity	Carload	Total	
outhern and official ratings the same	9,253	66	4,937	14,256	69.8
outhern ratings higher than official	21	0	4,021	4,042	19.8
outhern ratings lower than official	771	13	1,344	2,128	10.4
Total	10,045	79	10,302	20,426	

It will be noted that nearly 70 percent of the ratings are the same, hat of the 79 any-quantity ratings 13 are lower, and none are higher, n the southern classification, and that of the 10,045 less-than-carload atings 771 are lower, and only 21 are higher, in the southern classifi- ation; but that there are 4,021 higher carload ratings in the South han in official territory, as compared with only 1,344 lower such rat- ngs in the South. Considering the ratings as a whole, 19.8 percent re higher, and 10.4 percent are lower in the southern classification han in the official classification. In many instances the rates based on the lower southern ratings are higher than those produced by the higher official classification ratings, because of the higher level of the southern class rates.

Fifth class is generally considered the most important carload class in official territory. Fifth class is 35 percent of first class in official territory and 45 percent of first class in the South. There are 2,184 ratings of fifth class or 35 percent of first class in official territory. These same items are rated in southern classification, or exceptions thereto, from 17.5 to 55 percent of first class, and produce rates in the South ranging from 70 to 220 percent of the rates in official territory. The weighted average (weighted according to the number of ratings) is 155 percent.

RELATIVE LEVELS OF COMMODITY RATES, SOUTH VERSUS EAST

In many instances, commodity rates in the South are lower than commodity rates on like traffic in official territory. There is no comprehensive showing as to the general level of commodity rates in the South as compared with that in official territory. The record does reveal, however, that in the following instances commodity rates in the South are lower than rates on the same commodity in official territory:

Brick, building and facing.—The rates under the distance scale maintained in southern territory are the same for a few distance blocks as those under the central territory scale, and are lower for all other distances than those under the latter scale. In all instances the southern-scale rates are lower than those under the trunk-line scale. For example, for 100 miles, the southern rate is $1.60 per net ton, the

central-territory rate is $1.85, and the trunk-line rate is $2.15; for 460 miles the southern rate is $3.80, the central territory rate is also $3.80, and the trunk-line rate is $4.79; and for 1,000 miles the southern rate is $5.80, the central territory rate is $6.27, and the trunk-line rate is $7.59. The average rate on brick from Canton, Ohio, to 17 points in eastern trunk-line territory for an average distance of 446.6 miles is $4.66, while the rate for that distance in southern territory is $3.60; and the average rate from Pittsburgh, Pa., to the same destinations in trunk-line territory for an average distance of 370.9 miles is $4.01, while the rate for that distance in the South is $3.40. The southern scale was prescribed in *Brick and Clay Products in the South*, 88 I. C. C. 543, for distances of 1,000 miles and less. The central territory and trunk-line scales were prescribed in *National Paving Brick Mfrs. Assn.* v. *Alabama & V. Ry. Co.*, 68 I. C. C. 213, for distances of 150 miles and less. The carriers have voluntarily extended the latter scales to 1,000 miles.

Fertilizer and fertilizer materials.—The present southern scale is lower for all distances than the scale prescribed in *Eastern Fertilizer Cases*, 198 I. C. C. 483, 203 I. C. C. 787, on basis of 22.5 percent of first class between points in trunk-line territory; and the southern scale is lower for distances of 680 miles and less than the scale prescribed in the report on further hearing in *Ohio Farm Bureau Federation* v. *Ahnapee & W. Ry. Co.*, 146 I. C. C. 419, for application between points in central territory. However, for some (not all) distances greater than 680 miles up to 800 miles, the maximum distance under the latter scale, that scale is slightly lower than the southern scale. For distances of 300 miles and less, the southern scale is much lower than either the central-territory scale or the trunk-line scale. For example, for 100 miles the southern scale rate is $1.35 per net ton, the central territory scale rate $2.40, and the trunk-line scale rate $2.80; for 200 miles the southern rate is $2.35, the central territory rate $3.20, and the trunk-line rate $3.60; and for 380 miles the southern rate is $4.45, the central territory rate $4.40, and the trunk-line rate $4.80. The trunk-line and central-territory scales are subject to a minimum of 40,000 pounds, while the southern scale is subject to a minimum of 60,000 pounds. For all distances, the present southern scale is substantially lower than the scale we prescribed in *Fertilizers Between Southern Points*, 113 I. C. C. 389, for application between points in southern territory in connection with a minimum of 40,000 pounds. The rates under the present southern scale for distances of 300 miles and less were established to meet motor-truck competition.

Coke.—In the report on reconsideration in *Coke from Alabama and Tennessee to Central Territory*, 215 I. C. C. 384, we prescribed on coke, in carloads, from Birmingham, Ala., Chattanooga, Tenn., and

points in Wise County, Va., to destinations in central and Illinois territories a distance scale the same as the scale designated the column 2 scale which had been prescribed in *Coke between Points in Central and Illinois Territories*, 194 I. C. C. 640, for application on like traffic within central and Illinois territories. We said, in the report on reconsideration in the first-cited proceeding (pages 385, 386):

> The column 2 rates are now applicable between points in central territory, with a few exceptions mentioned in the original report. The rates from Chattanooga, Birmingham, and Wise County, Va., to southern destinations are in certain instances slightly higher, and in others lower, than they would be if made strictly on the column 2 basis, but they average about the same. From Chattanooga and Birmingham combined to all destinations having a population of 5,000 or more, both the present and the column 2 rates average $2.96 per ton. * * * Coke is among the commodities taking commodity rates in the South approximately the same as those in official territory.

That scale is substantially lower than the scale previously prescribed for application within trunk-line territory and from that territory to New England. The latter scale was prescribed originally in *Seaboard By-Product Coke Co.* v. *Director General*, 62 I. C. C. 317, for distances of 600 miles and less from Seaboard, N. J., to destinations in New England, New York, and New Jersey. It was later prescribed in *Hudson Valley Coke & Products Corp.* v. *N. Y., N. H. & H. R. Co.*, 129 I. C. C. 472, for application from Troy, N. Y., to destinations in New England.[8a]

Lime.—For all distances the southern scale on lime is substantially lower than the trunk-line scale, and, for distances of 380 miles and more, the southern scale is lower than the central-territory scale. For distances less than 380 miles, however, the southern scale is higher than the central territory scale. For example, for 100 miles, the southern scale rate is $2.64 per net ton, the central territory rate is $2.60, and the trunk-line rate is $2.75; for 380 miles the southern rate is $3.96, the central territory rate is $4, and the trunk-line rate is $4.40; and for 700 miles the southern rate is $4.84, the central territory rate is $5, and the trunk-line rate is $5.61. The southern scale was approved originally in *Lime Between Southern Points*, 129 I. C. C. 635, for distances of 800 miles and less; and in *Dann-Gerow Co., Inc.*, v. *Atlantic Coast Line R. Co.*, 172 I. C. C. 482, that scale was extended to 1,400 miles. The central territory scale was prescribed in *Eastern Lime Mfrs. Traffic Bureau* v. *Akron & B. B. R. Co.*, 112 I. C. C. 7, and in *Lime to Central Territory*, 203 I. C. C. 407, was approved for application from Buffalo, N. Y., to central territory. The trunk-line scale,

[8a] An Alabama intrastate scale that is lower than even the column 2 interstate scale maintained between points in central territory applies on coke when for furnace use between certain points in Alabama.

made 110 percent of the central territory scale, was approved in *Ohio Lime Mfrs.* v. *Pennsylvania R. Co.*, 214 I. C. C. 417. A scale made 12 percent of the central territory scale was approved in *Lime from and to New England*, 222 I. C. C. 665, for application from, to, and within New England.

Logs.—In *Indiana Public Service Commission* v. *Ann Arbor R. Co.*, 85 I. C. C. 533, we prescribed on logs, in carloads, between points in central territory, maximum reasonable rates equivalent to 65 percent of the sixth-class rates contemporaneously in effect between the same points. That basis is now in effect generally between points in central territory and points in trunk-line territory, as 18 percent of first class, by reason of exceptions to the official classification.

A number of distance scales apply on logs between points in southern territory. The lowest of these scales which we have prescribed is the so-called Pierpont scale, which is a single-line scale that was prescribed originally in *Pierpont Mfg. Co.* v. *Southern Ry. Co.*, 50 I. C. C. 81, and, subjected to the general rate changes, provides local and transit rates between points on the lines of certain standard railroads in northern Florida, eastern Alabama, Georgia, South Carolina, North Carolina, and southern Virginia. This single-line scale is substantially lower than the general basis hereinbefore stated applicable in official territory for both single-line and joint-line hauls. For example, for 200 miles the Pierpont scale rate is 9.5 cents per 100 pounds while the official territory rate is 14 cents; for 500 miles these rates are 18 cents and 22 cents, respectively; for 800 miles they are 24 cents and 29 cents; and for 1,000 miles, 29 and 33 cents.

In *Farris Hardwood Lbr. Co.* v. *Louisville & N. R. Co.*, 178 I. C. C. 671, we prescribed resonable single-line and joint-line distance scales of rates on logs, in carloads, from points in southern territory, not including points in Florida south of the line of the Seaboard Air Line Railway Company from Jacksonville to River Junction, to certain points in Tennessee for distances to and including 800 miles. The prescribed single-line rates were 2.5 cents per 100 pounds lower than the corresponding joint-line rates. The proceeding was comprehensive in its scope and resulted in a general readjustment of rates over an extensive territory. The rates under the joint-line scale therein prescribed, as modified by the subsequent general rate changes, are in most instances the same as the official territory rates for like distances and in other instances, are either 1 cent higher or lower than the corresponding official territory rates. With respect to the Pierpont scale, prescription of which was sought in the proceeding last cited, we said at page 682:

This record indicates that the Pierpont scale had its origin in rate structure designed (1) to facilitate the clearing of land for farming purposes, (2) to meet

logs from regions in which the preponderance of the timber is softwood, and (3) to fit the comparatively favorable operating conditions existing in the level coastal areas in the Southeast. It would be manifestly unjust to require the extension of such a scale into the region here considered, throughout which the reverse of the above-mentioned conditions largely obtains.

The distance-scale basis prescribed in *Farris Hardwood Lbr. Co.* v. *Louisville & N. R. Co.*, *supra*, was subsequently prescribed in a number of other proceedings for application between points in other sections of southern territory, and to points in that territory from origins in official territory. See *Pulaski Veneer Corp.* v. *Atlantic & Y. Ry. Co.*, 258 I. C. C. 706, and 259 I. C. C. 313, and the decisions therein cited.

Lumber.—The southern scale on lumber is lower than the official scale except that for a few of the longer distances the rates under the two scales are the same. For 50 miles the southern rate is 7 cents per 100 pounds, the official rate 11 cents; for 100 miles the southern rate is 9.5 cents, the official rate 14 cents; for 200 miles these rates are 14.5 cents and 18 cents, respectively; for 300 miles they are 19 cents and 22 cents; for 400 miles they are 24 and 25 cents, respectively; for 600 miles they are each 30 cents; and for distances of 900 miles (the maximum distance under the southern scale) and over 600 miles the southern rates are the same as, or 1 cent less than, the corresponding rates under the official scale. Each of these scales is lower than the scale prescribed by us for application in the affected territory. In *Lumber between Points in Official Territory*, 214 I. C. C. 493, we prescribed rates on lumber between points in official territory on the basis of 25 percent of first class. Since that decision the railroads have voluntarily established rates on lumber in official territory 22.5 percent of first class. In *Adams-Bank Lbr. Co.* v. *Aberdeen & R. R. Co.*, 157 I. C. C. 280, we approved a general revision of rates on lumber between points in southern territory based on a distance scale. That scale was substantially higher than the scale now maintained voluntarily within southern territory.

Pig iron.—Specific rates on pig iron from Birmingham, Ala., to consuming points in southern territory are much lower than rates on pig iron for like distances from blast-furnace points in official territory to consuming points in official territory. For example, the rate from Pittsburgh to Buffalo, 232 miles, is $3.61 per long ton, whereas the rate from Birmingham, to Macon, Ga., 247 miles, is only $2.61; and the rate from Birmingham to Roanoke, Va., 535 miles, is $4.65, while the rate from Pittsburgh to Evansville, Ind., 525 miles, is $6.38.

Pulpwood.—The southern scale on pulpwood is substantially lower than the scale applicable within trunk-line territory. The southern scale applies on both single-line and joint-line movements, whereas separate scales for such movements are maintained within trunk-line

territory. For 200 miles the southern scale rate is 6.575 cents per 100 pounds, the trunk-line rate for single-line hauls is 11 cents, and the trunk-line rate for joint-line hauls is 12 cents. For 660 miles, the southern rate is 15 cents, the trunk-line single-line rate is 22 cents, and the trunk-line joint-line rate is 23 cents. The trunk-line scales were prescribed originally in *West Virginia Pulp & Paper Co.* v. *Baltimore & O. R. Co.*, 104 I. C. C. 495, for application from the District of Columbia and points in Maryland, Virginia, and West Virginia to interstate destinations in Delaware, Maryland, Pennsylvania, and West Virginia. The southern scale is on a voluntary basis.

Sand, gravel, crushed stone, and slag.—The southern scale is generally lower than any of the three official territory scales, but in some instances is the same as one of the latter scales, the so-called West Penn scale, which was prescribed in *Pennsylvania Sand & Gravel Producers Assn.* v. *B. & O. R. Co.*, 104 I. C. C. 717, for application from points in western Pennsylvania to destinations in Ohio, West Virginia, and New York. For distances of 35 to 170 miles, inclusive, the southern scale is the same as the West Penn scale; but for distances less than 35 miles and those over 170 miles to 200 miles, inclusive (the maximum distance under the West Penn scale being 200 miles), the southern scale is lower than the West Penn scale. For all distances the southern scale is lower either than the scale prescribed in *Rates on Crushed Stone, Gravel, Sand, and Slag in Ohio*, 191 I. C. C. 206, for application on crushed stone from Hillsville, Shaw Junction, and Walford, Pa., and on slag from Midland and Sharpsville, Pa., and Weirton, W. Va., to destinations in Ohio; or than the so-called Buckland scale originally prescribed in *Buckland* v. *Boston & A. R.*, 139 I. C. C. 88, for application on slag from Bethlehem and Hokendauqua, Pa., to points in New Jersey, New York, and New England and found reasonable in numerous other proceedings for application between other points in trunk-line territory. The southern scale is lower than the single-line and joint-line scales prescribed in *Rates on Chert, Clay, Sand, and Gravel*, 122 I. C. C. 133, for application on sand, gravel, crushed stone, and slag from Montgomery, Ala., and Chattanooga, Tenn., to destinations in Georgia and Mississippi, between points in Georgia, and between points in Georgia and other points in southern territory except points in Florida.

Iron or steel scrap.—In official territory the rates on iron or steel scrap are on various bases. In *Newport News Shipbuilding & Dry Dock Co.* v. *B. & O. R. Co.*, 160 I. C. C. 620, division 3 prescribed from Newport News, Va., to destinations in Maryland, Delaware, New Jersey, and eastern Pennsylvania, and from Newport News, Norfolk, Portsmouth, and Richmond, Va., to Baltimore, Md., a basis of rates on iron

or steel scrap of 70 percent of the basic scale of rates on iron and steel which we had found reasonable in *Iron and Steel Articles*, 155 I. C. C. 517. Following the Newport News case, we prescribed this 70-percent basis as reasonable for application between various points in official territory. See *Summer & Co.* v. *Erie R. Co.*, 255 I. C. C. 475, and 262 I. C. C. 43 for list of cases. Two scales, based on alternative minima of 50,000 and 80,000 pounds, are in effect on iron or steel scrap in southern territory for distances of 1,500 miles and less. The higher southern scale, subject to the 50,000-pound minimum, provides lower rates than the 70-percent basis prescribed in official territory for distances from 70 to 480 miles, inclusive, but higher rates for distances less than 60 miles and greater than 500 miles. The southern scale subject to the 80,000-pound minimum provides lower, and in most instances substantially lower, rates than the 70-percent basis for distances from 40 to 1,000 miles, inclusive. The two southern scales were established pursuant to fourth-section relief granted in *Scrap Iron and Scrap Steel in Southern Territory*, 182 I. C. C. 175.

Sulphuric acid.—The southern scale on sulphuric acid, in tank cars, is substantially lower than the scale applicable in official territory, which was prescribed in *Bertha Mineral Co.* v. *Baltimore & O. R. Co.*, 112 I. C. C. 754, for application on like traffic from Tiltonville, Ohio, to points in the Wheeling, W. Va., Youngstown, Ohio, and Pittsburgh, Pa., districts. The latter scale was prescribed for distances of 160 miles and less. As modified by the subsequent general increases, it provides rates of $2.10 per net ton for 50 miles, as compared with $1.58 for that distance under the southern scale; $2.80 for 100 miles, as compared with a southern rate of $2.10; and $3.80 for 160 miles, as compared with a southern rate of $2.63 for that distance. The present southern scale is maintained voluntarily by the railroads in southern territory at a level considerably lower than that of the specific rates prescribed in *International Agricultural Corp.* v. *Louisville & N. R. Co.*, 22 I. C. C. 488, for application on sulphuric acid from Copperhill, Tenn., to numerous southern destinations, as affected by the general rate changes.

Iron ore.—There are no comparisons of record herein between interstate rates on iron ore between points in southern territory and like rates between points in official territory. The record does reveal, however, that rates under an Alabama intrastate scale applicable between certain points in Alabama on iron ore, when for furnace use, are lower than specific rates for like distances on ex-lake iron ore between points in official territory. For example, the ex-lake rate from Cleveland, Ohio, to Pittsburgh, Pa., 131 miles, is $1.21 per long ton while the rate for that distance under the Alabama intrastate scale mentioned

is 90 cents; and the rate from Lorain, Ohio, to Pittsburgh, 157 miles, is $1.21, as compared with the rate of $1.01 for that distance under the Alabama scale.

At the oral argument it was contended that the comparisons of commodity rates just made indicate that the general level of rates on industrial raw materials in the South is low in comparison with that on similar traffic in official territory, and that the disadvantage to the South resulting from higher rates on manufactured articles is thereby offset. However, the record does not reveal the relative average levels of the rates on raw materials generally in the two territories. It will be noted also that a number of the low commodity rates in the South apply on commodities that cannot be classed as industrial raw materials, such as brick, fertilizer, and sand and gravel.

INTERTERRITORIAL CLASS RATES

The interterritorial class rates between the South and official territory represent a blending of the scales of class rates applicable in each territory. The interterritorial class 100 rates are either key rates reflecting the existence of water competition along the Atlantic seaboard, or rates made on the so-called K–2 Q–1 formula. Between points in official territory and points in the States of Kentucky, North Carolina, southern Virginia, and northeastern Tennessee, the class rates reflect the formulae prescribed in the so-called border States cases, *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, *supra*, *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.*, *supra*, and *East Tennessee Border Traffic Assn.* v. *Akron C. & Y. Ry. Co.*, *supra*, previously described. Generally speaking, the blending of the southern and eastern class rate scales results in interterritorial rates lower than those which prevail in the South.

In some instances, however, particularly for the longer distances the interterritorial rates exceed those in the K–2 scale. This fact was referred to in *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.*, *supra*, where we stated:

> Another ground of criticism stressed by complainants is that in many cases interterritorial rates exceed those in the K–2 scale for the same distances, as complainants declare that this was not contemplated in our findings in the *Southern Class Rate Investigation*, *supra*. Such a result, however, was foreseen and fully discussed in our reports in that case, in which we expressly refused to require that interterritorial rates be subject to the K–2 scale as a maximum.

The following table shows certain inconsistencies in the interterritorial first-class rates between official and southern territories

	Miles	First-class rate	K-2 scale rate	Relation of first class to K-2 scale
		Cents	*Cents*	*Cents*
Between Pittsburgh, Pa. and—				
Atlanta, Ga.	779	229	219	10 (higher)
Birmingham, Ala.	792	220	222	2 (lower)
Spread	13 (greater)	9 (lower)	3 (higher)	
Between Pittsburgh, Pa. and—				
Spartanburg, S. C.	694	207	206	1 (higher)
Florence, S. C.	693	193	206	13 (lower)
Spread	1 (lower)	14 (lower)	0	
Between Detroit, Mich. and—				
Goldsboro, N. C.	812	186	226	40 (lower)
Macon, Ga.	825	228	226	2 (higher)
Spread	13 (greater)	42 (higher)	0	

From Pittsburgh to Birmingham the distance is 13 miles greater than that to Atlanta, but the rate to Atlanta is 9 cents higher. Measured by the K–2 scale the rate to Atlanta should be 3 cents lower than to Birmingham. Distances from Pittsburgh to Spartanburg and Florence differ by only 1 mile, but the rate to Florence is 14 cents lower than to Spartanburg. From Detroit to Macon the distance is 13 miles greater than that to Goldsboro, but the rate to Macon is 42 cents higher than the rate to Goldsboro.

Interterritorial commodity rates.—During recent years numerous reductions have been made in commodity rates from the South to official territory. A member of the auxiliary committee, central freight association, who testified for respondent rail carriers, named commodity rates on 97 commodities from specific points in southern territory to specific destinations in official territory that were reduced in 1940, 1941, and 1942; and compared these reduced rates with rates on like traffic within official territory. In many instances, the reduced interterritorial rates are lower than rates for the same distances on the basis that prevails generally in official territory. In most such instances, the official territory rates are class rates based on the classification, and in a majority of the others, they are exception rates. In a relatively few cases the higher rates in official territory named are commodity rates. Illustrative of the latter situation are the present rates on bauxite ore, in carloads, from Cunningham, Seney, Shannon, and Six Mile, Ga., to Baltimore, Md., and Philadelphia and Plymouth Meeting, Pa., which range from 15.1 to 16.5 percent of the eastern first-class rates for equal distances, whereas this traffic moves generally in official territory at commodity rates that are 16.8 percent of eastern first-class rates. Also cigarette paper, in less than carloads, in lots of 15,000 pounds, moves from Pisgah Forest, N. C., to New York City at a rate 48.4 percent of the eastern first-class rate for that distance whereas a commodity-rate basis that is 54 percent of the like class rates applies generally in official territory. The rate on shelled

peanuts, in carloads, from Hempstead, N. C., to Pittsburgh is 37.9 percent of the eastern first-class rate for the same distance, while a commodity-rate basis that is 40 percent of first class is maintained generally within official territory. On ferromanganese, in carloads, from 11 points in southern territory to 176 destinations in official territory the rates average 21.5 percent of eastern first-class rates, whereas within official territory the rates on like traffic range from 17.4 to 25.6 percent of first class. Because of motortruck competition, the less-than-carload rates on alum, glass bottles, and jars, metal covers, tops, or caps, and tumeric from points in official territory to Faison, N. C., a point at which pickles are produced in commercial quantities, range from 9.5 to 31.7 percent less than the rates on similar traffic for equal distances within official territory.

A parity is now maintained between the rates from southern territory to official territory and those within official territory on the following articles: Ferroalloys; unfinished aluminum, blanks, stampings, and shapes; asphalt petroleum, coke; leather; pig iron; aluminum pig or ingot; cast-iron pipe; iron or steel plumber's goods; cast-iron hollow ware; hydrants and fire plugs; upholstering fabric and trimming; cotton flannels or napped fabric; and automobile-body parts, wooden, painted. On automobile tires, there are some combination rates from the South to official territory that are lower than the rates on tires for the same distances within official territory.

In some instances, the rates on manufactured products from the South to official territory exceed the rates on like products within official territory to a greater extent than the corresponding interterritorial rates on raw materials, that compose the manufactured products, exceed the rates on like raw materials within official territory, but in other instances the reverse is true. The following examples of the former situation were given by a witness for the Tennessee Valley Authority, the manufactured products being named in parentheses. The percentage figures state the relation of the interterritorial rates on the commodity named to the rates on the same commodity within official territory: Cottonseed 107 percent (oleomargarine 137 percent, cooking or salad oil 137 percent); woodpulp 109 percent (pulpboard 110 percent, paper bags 111 percent, and newsprint paper 159 percent); asphalt petroleum 100 percent (asphalt roofing 110 percent, asphalt paint 153 percent); clay 112 percent (chinaware plumber's goods 139 percent, chinaware pottery 140 percent); and pig iron 100 percent (steel bars and sheets 129 percent, tractors 140 percent, and mechanics' tools 151 percent). A witness for the southern carriers gave the following instances in which the rates from the South to official territory on manufactured products bear lower percentage relations to the rates on like articles within official territory, than do the interterritorial

rates on raw materials with respect to the rates on those materials within official territory: Hides 127 percent (sole leather 100 percent, boots and shoes 90 percent); aluminum pig or ingot 100 percent (aluminum sheet or plate 92 percent); scrap iron 134 percent (cast-iron pipe, iron or steel plumber's goods, cast-iron hollow ware, and hydrants and fire plugs, each 100 percent); and unmanufactured tobacco 106 percent (cigarettes 77 percent and smoking and chewing tobacco 97 percent). It will be noted that the rates from the South to official territory on boots and shoes, aluminum sheet or plate, and cigarettes and smoking and chewing tobacco are lower than the rates for equal distances on like traffic within official territory.

In a number of proceedings we have prescribed or approved substantially the same mile-for-mile levels of rates on particular commodities from points in southern territory to points in official territory as were maintained thereon between points within the latter territory. *Brick and Clay Products in the South*, 88 I. C. C. 543; *American Distilling Co.* v. *Akron, C. & Y. Ry. Co.*, 140 I. C. C. 633; *Krupp Foundry Co.* v. *Southern Ry. Co.*, 148 I. C. C. 743, 156 I. C. C. 415; *Hosiery From Southern Points*, 156 I. C. C. 117; *Cullet in Southern Territory*, 169 I. C. C. 153; *Eastern Tanners Glue Co.* v. *Southern Ry. Co.*, 171 I. C. C. 213; *Stone, Marble, and Slate from or to Southern Points*, 183 I. C. C. 611; *Muscle Shoals White Lime Co.* v. *Akron & B. R. Co.*, 205 I. C. C. 273; *Coke from Alabama and Tennessee to Central Territory*, 208 I. C. C. 281, 215 I. C. C. 384; *Sugar from Gulf Coast Port Groups to Northern Points*, 234 I. C. C. 247, *State of Alabama* v. *New York Central R. Co.*, 235 I. C. C. 255, 237 I. C. C. 515; and *Alabama By-Products Corp.* v. *Ahnapee & W. Ry. Co.*, 256 I. C. C. 649. In *Coke from Alabama and Tennessee to Central Territory*, *supra*, we prescribed rates on coke from southern producing points to consuming points in central territory on the same level, mile for mile, as we had previously found reasonable for application within central territory; and the judgment of the District Court of the United States for the Northern District of Illinois upholding our order in that proceeding was affirmed by the Supreme Court in *Baltimore & O. R. Co.* v. *United States*, 304 U. S. 58.

In some instances, we have prescribed commodity rates between southern and official territories that exceeded by 10 percent or less the rates found reasonable for application within official territory. For example, in *Paper, Official-Illinois Territories to South*, 234 I. C. C. 81, 238 I. C. C. 104, we prescribed maximum reasonable rates on paperboard, pulpboard, paperboard boxes, pulpboard boxes, and other paper articles, in carloads, from points in official territory to destinations in Southern territory 10 percent higher than the rates in effect for like distances within official territory; and found not unrea-

sonable rates on like traffic between these territories in the reverse direction. The latter rates were already on a basis 10 percent higher than the official territory level.

In *Livestock to and from the South*, 253 I. C. C. 241, we prescribed on edible livestock, in carloads, between points in southern territory and from points in southern territory to destinations in official territory a scale of rates for distances up to 1,600 miles which were 1 or 2 cents per 100 pounds higher than the corresponding rates under the scale, as extended, which we had prescribed in *Eastern Livestock Cases of 1926*, 165 I. C. C. 277, for application within central territory for distances up to 800 miles.

In our report on reargument and reconsideration in *Schoen Bros., Inc.* v. *Erie R. Co.*, 258 I. C. C. 161, we found that just and reasonable rates for the future on green salted hides, in carloads, from certain points in Alabama, Georgia, and Florida to Endicott, N. Y., and from Atlanta, Ga., to Boston, Mass., would be rates from 1 to 3 cents per 100 pounds higher than the rates for like distances within official territory. The prescribed interterritorial rates ranged from approximately 1.5 to 5.6 percent higher than the corresponding official territory rates.

In our report on further hearing in *Cotton, Woolen, and Knitting Factory Products*, 258 I. C. C. 471, we stated that the maximum reasonable any-quantity rates, prescribed in prior reports in that proceeding on finished cotton piece goods from the South to official territory averaged 9 or 10 percent higher than the rates prescribed for application within official territory; that the rates on those products actually established by the rail carriers from the South to official territory were only about 4 percent higher than the rates prescribed for official territory, but approximately 8 or 9 percent higher than the level the carriers actually established within the North; and that the international rates in effect on dry goods and on grey goods and yarn generally showed a closer relation to the northern level than obtained in the adjustment on finished cotton piece goods.

RELATIVE LEVELS OF REVENUE FROM ALL FREIGHT, SOUTH VERSUS EAST

The actual freight revenue levels per revenue ton-mile in the South in relation to the freight revenue levels per revenue ton-mile in official and western territories, has been a subject of study in this investigation.[84]

For statistical purposes we have assigned the steam railways to territorial groups described as follows:

[84] The distinction between a comparison of rate levels and a comparison of revenue levels is that the former is based on the published rates, whereas the latter is based on the revenue actually received from the traffic which moved.

Eastern district.—That portion of the United States bounded on the west by the northern and western shore of Lake Michigan to Chicago, thence by a line to Peoria, thence to East St. Louis, thence down the Mississippi River to the mouth of the Ohio River, and on the south by the Ohio River from its mouth to Parkersburg, W. Va., thence by a line to the southwestern corner of Maryland, thence by the Potomac River to its mouth. The eastern district is divided into the New England region, comprising the New England States; the Great Lakes Region, comprising the section on the Canadian boundary between New England and the westerly shore of Lake Michigan to Chicago, and north of a line from Chicago via Pittsburgh to New York; and the central eastern region, comprising the section south of the Great Lakes region, east of a line from Chicago through Peoria to St. Louis and the Mississippi River to the mouth of the Ohio River, and north of the Ohio River to Parkersburg and a line thence to the southwestern corner of Maryland and by the Potomac River to its mouth.

Southern district.—That portion of the United States bounded on the north by the eastern district and on the west by the Mississippi River. The southern district is divided into the Pocahontas region comprising the section north of the southern boundary of Virginia, east of Kentucky and the Ohio River north to Parkersburg, W. Va., and south of a line from Parkersburg to the southwestern corner of Maryland and thence by the Potomac River to its mouth; and the southern region, comprising the section east of the Mississippi River and south of the Ohio River to a point near Kenova, W. Va., and a line thence following the eastern boundary of Kentucky and the southern boundary of Virginia to the Atlantic Ocean.

Western district.—That portion of the United States which is west of the eastern and southern districts. It comprises the northwestern region, the section adjoining Canada lying west of the Great Lakes region, north of a line from Chicago to Omaha and thence to Portland and by the Columbia River to the Pacific Ocean; the central-western region, the section south of the northwestern region, west of a line from Chicago to Peoria and thence to St. Louis, and north of a line from St. Louis to Kansas City and thence to El Paso and by the Mexican boundary to the Pacific Ocean; and the southwestern region, the section lying between the Mississippi River south of St. Louis and a line from St. Louis to Kansas City and thence to El Paso and by the Rio Grande to the Gulf of Mexico.

The boundaries between the districts do not correspond exactly to those between the class-rate territories. For example, most of the Pocahontas region is in official territory.

In most of the cost studies the Pocahontas region is separately treated, or statistics for the eastern district are shown both including

and excluding the Pocahontas region. The traffic handled in the Pocahontas region consists of from 85 to 90 percent products of mines, about 84 percent consisting of coal.

Comparisons are made of the freight revenue levels in the eastern district with those in the southern region and in the western district, adjustment being made for differences in the average length of haul, the count of interterritorial traffic and the count of bridge traffic. The comparisons are made by applying the eastern average revenue level per ton-mile by individual commodity classes, as shown by our freight commodity statistics statement No. 40100 for the year 1939, to the traffic handled in the southern region and western district. The constructive gross freight revenues thus computed for the South and West are compared with the actual gross freight revenues for the South and West taken from the freight commodity statistics, statement No. 40100. The results indicate that the actual gross revenues in the South in 1939 exceeded by 5.5 percent the constructive gross revenue based on the application of the eastern level of revenues to the southern traffic. This indicates that the southern level of revenue is about 5.5 percent higher than the eastern level. These gross revenues include divisions of joint rates, both intraterritorial and interterritorial, local rates, import and export rates, switching charges, and various accessorial charges.

When comparison is made between the East, including the Pocahontas region, on the one hand, and the South on the other, the southern level of freight revenue is found to be 3.9 percent above that for the East. The actual gross revenue in the West exceeds by 16.6 percent the constructive gross revenue obtained by applying the eastern revenue level to the western traffic. When comparison is made with the East, including the Pocahontas region, the actual gross revenues exceed the constructive gross revenues by 15.2 percent.

The above comparisons are subject to the criticism that the revenues by commodity classes are gross revenues rather than the net revenues. The gross revenues are before deductions for pick-up and delivery allowances, switching absorptions, et cetera. In some instances they include refrigeration revenues. A comparison between the gross revenues and the net revenues by districts indicates that the overstatement of the net revenues is greater in the southern region than in the eastern district, the Pocahontas region, or the western district. The ratios (percent) of the gross revenues to net revenues by districts and regions are shown below:

Eastern district	104.6
Pocahontas region	101.1
Southern region	105.8
Western district	103.9
United States	104.2

Based on the above it appears that the so-called actual revenues taken from the freight commodity statistics are overstated by a small amount in each territory. Such overstatement is greater by something over 1 percent in the southern region as compared to the East. This would have the effect of narrowing the difference between the southern and eastern revenue levels to somewhere between 3 and 5 percent.

EFFECT OF APPLYING OFFICIAL TERRITORIAL LEVEL OF ALL FREIGHT RATES TO CONSIST OF ALL FREIGHT TRAFFIC IN THE SOUTH

A witness for the southern carriers introduced an exhibit purporting to show the effect of applying the eastern district revenue per ton-mile shown by our freight commodity statistics for the year 1939 by individual commodity classes, numbered 10 to 701, on carload traffic and the revenue per ton-mile on less-than-carload traffic, adjusted for differences in average haul, to the revenue ton-miles of each commodity class and to the revenue ton-miles of less-than-carload traffic carried in the southern region. The commodity classes were also divided according to the type of equipment which would ordinarily be used. The results are shown in the following table with the revenues applying to each class of equipment:

Type of equipment	Southern region revenue	Southern region constructive gross revenue at eastern district rate per ton-mile for southern region haul
Boxcars, carload	$181,559,994	$156,569,555
Boxcars, less than carload	49,420,914	41,254,418
Boxcars, total	230,980,908	197,823,973
Refrigerator cars	47,180,337	33,144,124
Gondolas and hoppers	126,218,104	136,543,713
Stock cars	3,852,326	3,478,255
Tank cars	35,942,980	30,766,754
Flatcars	5,219,308	7,233,449
Grand Total	449,393,963	408,990,268

Net reduction in revenue 8.99 percent = $40,403,665.

The following explanatory statement is quoted from the carriers' exhibit:

(a) The computed revenue ton-miles for the Eastern District were 1,043,100,000 and for the Southern Region, 336,500,000. In order to obtain the true average haul in each district the computed revenue ton-miles were divided by the number of tons originated or terminated, whichever was greater. Thus the Eastern District ton-miles were divided by 4,140,502 tons terminated which produced an over-all average haul in the Eastern District of 252 miles and the Southern Region computed revenue ton-miles were divided by 1,008,522 tons terminated which produced an over-all average haul of 334 miles. It is realized that where the tons terminated are used to compute the over-all average haul, that tons origi-

nated which leave the district and the "overhead" tons are not included and, that where tons originated are used, that tons terminating coming from beyond the district and "overhead" tons are not included. It is not thought, however, that this results in any serious distortion but, in any event, the data necessary to obtain the true count of tons handled in a given district is not available.

Certain methods of computation used in the exhibit just mentioned were criticized by our head cost analyst who made a restatement of this exhibit. The exhibit was corrected to include a count of ton-miles of interterritorial traffic which had been omitted in the carriers' exhibit. The correction for count of interterritorial tons was based upon the 2-day analysis of carload traffic moving on May 27 and September 23, 1942, previously described. Correction for count of tons of bridge traffic was also made based on the 1-day traffic analysis of all carloads moving on May 27, 1942. Average haul was computed for each commodity classification per shipment per territory.

The exhibit was also reworked to provide for adjustments for differences in length of haul based on the eastern class-rate progression in lieu of the southern class-rate progression, inasmuch as the study computes the effect of superimposing the eastern district revenue levels on southern traffic. The following table shows the results of recomputation by our head cost analyst:

Type of equipment	Southern region revenue	Southern region constructive gross revenue at eastern district rate per ton-mile for southern region average haul.
Boxcars, carload	$181, 559, 994	$163, 884, 47
Boxcars, less than carload	49, 420, 914	45, 103, 87
Boxcars, total	230, 980, 908	208, 988, 35
Refrigerator cars	47, 180, 337	36, 419, 31
Gondolas and hoppers	126, 218, 104	136, 690, 08
Stock cars	3, 852, 326	3, 008, 07
Tank cars	35, 942, 950	32, 930, 20
Flatcars	5, 219, 308	6, 968, 09
Grand total	449, 393, 933	425, 964, 10

Net reduction in revenue 5.2 percent = $23,409,831.

If we include the rate per ton-mile for the Pocahontas region with the rate per ton-mile for the eastern district, a similar computation shows a net reduction in revenue in the southern region of $16,987,789, or 3.8 percent of the total gross revenue. Classification exception rates and commodity rates are not directly in issue in this proceeding. The exhibit just mentioned, and the revised exhibit prepared by our head cost analyst were based upon the assumption of imposing the eastern district level of class, exception, and commodity rates, including import and export rates, switching charges, and accessorial charges, upon all southern region traffic. Therefore the results shown do not reflect the

change in revenues that would be effected by applying the eastern class rates in the South. It does not follow that an equalization of class rates would mean an equalization of all rates and charges.

COSTS AND CONSIST OF TRAFFIC

As previously stated, the Edwards cost studies show that there is little significant difference in the cost of furnishing transportation in the South as compared to the East, excluding the Pocahontas region. If the Pocahontas region is included with the East, the costs for the South, based on the year 1939, are between 3 and 6 percent above those for the East.

The southern carriers argue that the showing that the average ton-mile earnings and average unit costs in southern territory are but little greater than, or even less than, those developed for official territory, largely ignores the fact that the volume of traffic in official territory is very much greater than that for the southern carriers; that the average number of tons per car, and the average number of cars per train are very much greater in the North than in the South; that the average hauls are dissimilar, being much longer in the South than in the North; and that the volumes of the several kinds of freight, particularly high-grade well-paying freight, are very different in the North than those in the South. Average hauls were shown in the section of this report entitled "Cost Studies." It is true that the density of traffic, the average number of tons per car, and the average number of cars per train are greater in the North than in the South. On the other hand, some important factors favor the South. The southern region has a lower compensation per employee per annum, i. e., $1,753 versus $1,925; a lower ratio of empty to loaded car-miles, 57.6 versus 60.5; more miles actually run per hour per train and engine employee in freight service, 14.1 versus 11.5; and more transportation service car-miles per employee, 26,459 versus 24,012. Furthermore, the lighter trains and smaller loads of the South are compensated for in greater or less degree by lower costs. While the revenue ton-miles per train-mile of 553 in the South are 62.5 percent of the corresponding figure of 885 for the East, the expense per train-mile in the South $3.69, is 61.6 percent of the corresponding figure of $5.99 for the East. The foregoing figures are based on operations in 1939.

Most of the factors favorable to the carriers in official territory listed by the southern carriers relate to line-haul service rather than to the terminal costs. It is principally the low terminal costs in the South that account for its relatively low total costs.

In our original report in *State of Alabama* v. *New York Central R. Co.*, 235 I. C. C. 255 (decided November 22, 1939); 237 I. C. C. 515, we said at pages 321–326:

When the southern class-rate investigation was instituted the class rates within and from the South did not reflect the general level of rates. The result accomplished in that proceeding, broadly speaking, was to remove inconsistencies and incongruities in the existing class rates, of which there were many, thereby bringing about greater uniformity and harmony in those rates throughout southern territory and between southern and official territories without materially changing their then-existing average levels. * * * The class rates in the North, prescribed in the eastern class-rate investigation, on the other hand, did rather closely reflect the general rate level therein.

It is obvious from a consideration of these matters that the class rates prescribed in the southern class-rate investigation are on somewhat higher levels, compared with those within the North, than could be justified by considerations of transportation conditions. This was generally recognized when those rates were prescribed. And we have stated a number of times that no inference as to the degree of difference, if any, in the general rate levels and in transportation conditions in the two territories could properly be drawn from a comparison of the class-rate levels.

* * * * * * *

It is a fair conclusion from the record as a whole, and we accordingly find, that the cost of transporting the articles named in the complaint from producing points in the South into the North, compared with that of transporting like articles within the North, does not justify the maintenance thereon of higher levels of rates than are applicable on like articles within the North.

In *North Carolina Corp. Comm.* v. *Akron, C. & Y. Ry. Co.*, *supra*, we said, at pages 285, 286:

If what are termed transportation conditions are understood as including only physical conditions affecting transportation costs, it may be said that neither the eastern class rates nor the southern have been based on transportation conditions except perhaps to a minor extent. In both the eastern and the southern cases the evidence as to these conditions was exceedingly fragmentary and did not purport to show anything resembling complete costs of transporting class-rate traffic. For that reason we stated in our report in *Eastern Class Rate Investigation*, 164 I. C. C. 314, that the differences in level between the rate scale there prescribed and the scales in southern and southwestern territories were not to be regarded as an index of comparative general rate levels or transportation costs as between the various territories. If it be conceded that cost studies reflecting average conditions affecting aggregate traffic in the two territories, differing widely in composition, disclose no difference in cost corresponding to the difference between the class rates, the question still remains whether in the light of transportation conditions alone, the southern rates are too high or the eastern rates too low. In the southern and the eastern cases alike principal emphasis was placed by shippers as well as carriers on the undesirability of departing too far from existing conditions, and little or no attention was paid to harmonizing the two rate structures. In the eastern case in particular most of the more active shippers opposed the injection of that question into the proceeding.

The southern carriers argue that even assuming that the average unit cost per ton-mile is no higher in southern territory than in official, such unit cost could not safely be used in measuring the reasonableness of rates in one section as compared with another for the

reason that the compositions of traffic from which the aggregate revenues are derived are wholly different. Certain commodities must be called upon to assume a greater share of the transportation burden than others. It is also true that carriers must obtain their revenue from the traffic which moves in the territory in which they operate. As previously stated, however, the ratio of interterritorial traffic between the South and other territories to intraterritorial carload traffic in the South is 124.2 percent, and the great majority of the interterritorial traffic to and from the South is to and from official territory. As to interterritorial traffic the consist is common to both territories.

The following table taken from an exhibit submitted by the southern carriers and based on our freight commodity statistics for the year 1939 shows the percentage distribution of total tons carried and the percentage of revenue for each of the major commodity groups in each territory:

Percentage distribution of total tons carried and revenue by commodity groups

CLASS IRAILROAD 1939

	Eastern district		Eastern (including Pocahontas region)		Southern region		Western district	
	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue	Percent of tonnage	Percent of revenue
Group I: Products of agriculture	6.57	8.73	6.07	8.03	10.80	17.73	18.88	23.70
Group II: Animals and products	1.64	4.72	1.47	4.23	1.45	3.51	3.00	6.30
Group III: Products of mines	58.06	34.85	61.53	40.24	46.39	23.65	36.64	13.98
Group IV: Products of forests	2.43	2.74	2.43	2.69	11.40	9.45	10.59	9.31
Group V: Manufactures and miscellaneous	29.57	41.41	26.89	37.75	27.21	34.66	29.38	39.94
Total all carload traffic	98.27	92.45	98.39	92.94	97.25	89.00	98.49	93.23
All less-than-carload traffic	1.73	7.55	1.61	7.06	2.75	11.00	1.51	6.77

It will be observed that, comparing the eastern district with the southern region, group I, products of agriculture, constitutes a greater portion of the tonnage and revenue in the South than in the East; in group II, animals and products, the percentages are similar; in group III, products of mines, the percentages are greater in the eastern district; in group IV, products of forests, the percentages are greater in the South; in group V, manufactures and miscellaneous, the percentages are greater in the East, the difference in tonnage being 2.3 percent and the difference in revenue being 6.8 percent. Less-than-carload traffic constitutes a greater percentage of the tonnage and revenue in

the South than in the East, even though, as we have seen, considerably more traffic moves on class rates in the East than in the South.

The above table is based on tons carried in each territory. Tons carried as reported in our freight commodity statistics, however, contain a great many duplications. A study of the distribution of carload traffic based on revenue ton-miles for the year 1939 shows the following results.

Distribution of carload traffic based on revenue net ton-miles, percent

Item	Eastern district	Pocahontas region	Southern region	Western district	United States
Products of agriculture	10.7	2.7	15.8	26.8	18.4
Animals and products	3.8	.5	2.2	4.5	3.5
Products of mines	49.3	87.4	40.8	20.1	41.5
Products of forests	3.1	1.6	11.6	13.6	7.9
Manufactures and miscellaneous	33.1	7.8	29.6	35.0	30.7
Grand total, carload	100.0	100.0	100.0	100.0	100.0

The above table indicates that products of mines in the eastern district constitute a greater percentage of the total traffic volume than in the southern region, i. e., 49.3 versus 40.8 percent. This is true in lesser degree of the manufactures and miscellaneous group, i. e., 33.1 versus 29.6 percent. As between the eastern district and the western district the percentage of products of agriculture in the western district is much greater and the percentage of products of mines is much smaller. However, the percentage of manufactures and miscellaneous is slightly greater in the western district.

The contribution in excess of out-of-pocket cost made by the major classes of commodities, in carloads, is shown by the Edwards cost studies, taking the total contribution above out-of-pocket cost made by all carload traffic as equal to 100, for the year 1939:

Item	Eastern district	Pocahontas region	Southern region	Western district	United States
Products of agriculture	4.2	3.1	15.9	18.0	10.8
Animals and products	1.5	1.1	3.4	4.3	2.7
Products of mines	38.0	73.4	21.2	13.9	28.7
Products of forests	2.8	2.8	9.4	8.1	5.7
Manufactures and miscellaneous	53.5	19.6	50.2	55.7	51.1
Grand total, carload	100.0	100.0	100.0	100.0	100.0

It will be observed that the classes of commodities which contribute most in excess of out-of-pocket costs are products of mines and manufactures and miscellaneous, both of which move in the eastern district in somewhat larger proportion to the total traffic than in the southern region. In the western district, products of agriculture appear to make a substantial contribution above out-of-pocket costs, in fact, a greater percentage of contribution than the products of mines group.

There are wide variations in the consist of traffic as between regions in the same district. The extreme difference between the eastern district and the Pocahontas region, and between the southern region and the Pocahontas region leads us to show the costs for each separately and in combination. There are also extreme differences in the consist of traffic as between individual railroads operating in the same district or region.

RATES OF RETURN

The southern carriers argue that if the costs are less in the South than in official territory, or, if the costs are substantially the same in each territory, the southern carriers with their admittedly higher general level of freight rates should have produced a substantially greater rate of return than the eastern district carriers, but that such is not the case. In recent years, however, the return of carriers in the southern region has generally exceeded the return of carriers in the eastern district, based on reported investment.

As previously stated, the general level of freight revenues per revenue ton-mile in the South appears to exceed that of the East by 3 to 5 percent, based on 1939 freight commodity statistics. If we compare the revenue level for all traffic, freight and passenger, these territorial differences are slightly reduced. The passenger revenues per passenger-mile, both including and excluding commutation traffic, are lower in the souther region than in the eastern district.

The Edwards cost studies show freight costs as a whole in the South to be slightly lower than those in the East, excluding the Pocahontas region from the East. They also show that, excluding Kentucky from the South, the costs as a whole in the South, are slightly higher by 1 or 2 percent than in the East.

The rate of return in the southern region generally has been a little higher than for the eastern district during the 6-year period 1936–41, and during the 7-year period 1936–42. The following table shows rates of return based on net railway operating income and reported investment in railway property used in transportation service, plus cash and material and supplies, taken from "Statistics of Railways" 1936–43:

	Southern region	Eastern district
	Percent	Percent
ar 1936	2.52	2.67
ar 1937	2.35	2.37
ar 1938	1.90	1.26
ar 1939	2.50	2.34
ar 1940	2.57	2.66
ar 1941	4.24	3.62
erage of 1936-41	2.69	2.47
ar 1942	6.51	4.90
erage of 1936-42	3.26	2.82
ar 1943	5.73	4.32

The rate of return in the southern region has exceeded that in the eastern district in 4 years out of the 6-year period 1936–41, and in 5 years out of the 7-year period 1936–42. The rate in 1943 was less than in 1942, but the rate of return in the southern region exceeded that in the eastern district. Nonoperating income of the eastern carriers is relatively much greater than that of the southern carriers, and if taken into account would indicate a higher return in the East. However, nonoperating income does not provide a test of relative transportation costs, rates, or of operating efficiency.

The higher level of freight rates in the South is offset to some extent by the lower level of passenger revenues. The revenue per passenger-mile in the South in 1939 was 91 percent of that for the East. Excluding commutation traffic, the Southern revenue per passenger-mile was 79 percent of that for the East. The operating revenues for passenger and allied services in the South in 1939 constituted 70 percent of the passenger operating expenses, rents, and taxes as compared with a figure of 80 percent for the East. This is the reverse of the situation as to freight traffic. The freight revenues in the South in 1939 constituted 140 percent of the total freight operating expenses, rent, and taxes as compared to a figure of 134 percent in the East. Combining the freight and passenger revenues the percentage ratio of the total revenues to the total expenses is 123 in the South as compared to 119 in the East.

CONTENTIONS OF PARTIES

The Southern Governors' Conference and associated interests, including the motor carriers, the Tennessee Valley Authority, and a number of organizations of southern shippers,[85] contend that the class rates within the South and between the South and other territories are unreasonable and unduly prejudicial. They seek the uniform application of class rates and classification ratings throughout the territory east of the Mississippi River with a uniformity of class rates and ratings between all of the latter territory and all other territories. To effect this uniformity they ask that we prescribe immediately the present eastern class-rate scale and the present official classification for application throughout the territory east of the Mississippi River until a uniform classification for general application throughout the United States can be worked out and adopted, and that we remove the Florida arbitraries. In their opinion, the existing class rates

[85] Among the organizations of southern shippers supporting the position taken by the Southern Governors' Conference are the Southern Traffic League, the Atlanta Freight Bureau, the North Carolina Traffic League, the Charlotte Shippers & Manufacturers Association, the Nashville Freight Bureau, the Memphis Freight Bureau, the Jacksonville Traffic Bureau, the Tampa Traffic Association, the Greater-Miami Traffic Association, the Southern Furniture Manufacturers Association, and the Georgia Canning Manufacturers Association.

constitute an important factor in retarding industrial development of the South, the spread between the first-class rates in southern territory and the first-class rates in official territory is not warranted by transportation conditions, and a readjustment of the class rates would not necessitate a change in the commodity rates. They contend that the relief they seek would not cause a transfer of industry from the North to the South, but would permit the South to absorb its proper proportion of increased national development of industry and would benefit not only the South but also the country as a whole.

Several industrial organizations and groups of shippers in the South, such as the Southern States Industrial Council, the Southeastern Shippers' Conference, and the New Orleans Joint Traffic Bureau, opposed pleas for uniformity of class rates on the eastern basis. They expressed the opinion that the present rate structure within the South, and between the South and other territories, has proven generally satisfactory and that the reductions in class rates sought by the Southern Governors' Conference would result in substantial railroad revenue losses, which would require, as an offset, increases in southern commodity rates that would seriously injure southern industry.

The Southern Paper Manufacturers' Conference, which represents about 95 percent of the paper manufacturers in the South, and the Southern Pine Association, which represents manufacturers of approximately 40 percent of the pine lumber produced in the South and the Southwest, are interested principally in the continuance in the South of commodity rates which are not related to class rates. They ask that any findings herein be restricted to the class rates in issue and that we provide specifically in this report that no change in the exception or commodity rates is intended directly or indirectly by the findings made.

EVIDENCE OF SHIPPERS AS TO CLASS RATES

The testimony of shippers called on behalf of the Southern Governors' Conference respecting the payment of class rates may be summarized as follows:

A manufacturer of washboards at Raleigh, N. C., ships washboards in less than carloads on class rates. In September 1941, a representative month, he made 42 less-than-carload shipments to official territory on which he paid total charges of $184.06. Charges on the official territory level would have been $15.14 less. One shipment was made to Dallas, Tex., on which he would have saved 77 cents at the official territory level. Twenty-five shipments were made to points in southern territory. Charges on the official territory level would have been $45.77 less than actually paid. The principal competitors are at

Columbus, Ohio, and Saginaw, Mich., the latter with a branch factory at Memphis, Tenn. If the official territory level had applied not only from Raleigh, but also from Columbus to the South, the charges from Columbus would be reduced by greater amounts than from Raleigh. Application of the official territory level of rates on the September shipments to the North would have reduced his freight charges by 8 percent. Twenty-five percent of the shipments to the North were to Detroit, Mich., a short distance from Saginaw, where one of his chief competitors is located. The business of the manufacturer who gave this testimony however, has increased substantially.

The operator of a tanning plant at Andrews, N. C., testified that he had recently taken over the tannery at that point, which had been out of operation for several years, and in May 1942, began tanning operations. As of the date of the hearing, September 28, 1942, the company was beginning to make out-bound shipments of leather to some of the 20 principal points to which leather moves, most of which are in official territory. While most of the shipments will be in carloads, on which both class and commodity rates apply, some less-than-carload shipments are anticipated, on which the class rates will apply. Between May 22, 1942, and June 18, 1942, he shipped 9 carloads of green salted hides, 6 from New York, N. Y., 2 from Harrison, N. J., and 1 from Detroit, Mich., and 5 carloads of dry hides, 3 from New York, 1 from Brooklyn, N. Y., and 1 from Waverly, N. J., on which class rates applied. The total charges at the applicable class rates were $6,063.45, whereas the total charges at the official territory level would have been $4,504.63. Leather is usually sold f. o. b. tannery or warehouse. This company has experienced difficulty in selling and quoting prices competitive with tanneries able to ship at lower freight rates.

Imported hides now move from the New York area to Andrews. Under present war conditions most steamers discharge at New York, but, in peacetime, cargoes of hides could be discharged at Norfolk or New Orleans, and this company might obtain imported hides through those ports. This company will also use domestic hides which will be obtained principally in Chicago, Ill., Detroit, Mich., and St. Louis, Mo. There are very few hides produced in the South. However, in *Schoen Bros., Inc.*, v. *Erie R. Co.*, 255 I. C. C. 501, 258 I. C. C. 161, we prescribed reasonable rates on green salted hides from certain points in Alabama, Georgia, and Florida, to Endicott, N. Y., and from Atlanta, Ga., to Boston, Mass. The four principal markets for finished leather are New York, St. Louis, Chicago, and Philadelphia.

Quebracho extract, used in tanning, is imported. The differences in freight rates on this commodity are said to be more drastic than on hides and leather, but no exhibit was introduced showing these

rates. Chestnut extract, also used in tanning, is produced in the South and the freight rate is a very small cost factor.

A shipper of wine at Atlanta complained of the rates on wine from that point to official territory. The witness knew little about rates, and an exhibit prepared by his traffic man was erroneous. The applicable rates to most of the points shown on the exhibit are combination rates, one factor of which are exception rates from Atlanta to border points. His principal competition comes from New York City, but he also operates a winery at Brooklyn, N. Y. His product is nationally advertised and he does a nation-wide business. A larger plant has recently been constructed at Atlanta indicating that the business has made substantial progress at that point.

Testimony for a manufacturer of macaroni products at Memphis, Tenn., was offered by the manager of the Memphis Freight Bureau. For example, from Memphis to Evansville, Ind., 301 miles, the rate on macaroni and noodles and spaghetti, in less than carloads, is 68 cents, whereas from Chicago, 284 miles, the rate is 48 cents, a difference in favor of Chicago of 20 cents. If both rates were made 50 percent of the eastern first-class scale they would be 49 cents and 48 cents, respectively, and the rate advantage of 20 cents which Chicago has would be reduced to 1 cent. This shipper has never complained to the railroads about his rates, which are fourth class (50 percent of first class) in official territory and, by exception, class 50 in the South, in less than carloads. In *Macaroni & Noodle Mfrs. of America* v. *Alabama G. S. R. Co.*, 50 I. C. C. 289, the fourth-class rating was found not shown to be unreasonable or unduly prejudicial for all territories. In the South, fourth class is 55 percent of first class. This shipper has competitors at Louisville, Ky., and New Orleans, La., and distributes his products throughout the South and to Kentucky and some Ohio River points.

Five other shippers who testified on behalf of the Southern Governors' Conference do not ship their products on class rates. They testified with respect to furniture from Birmingham, Ala., glass bottles from Chattanooga, Tenn., cucumber pickles from Faison, N. C., peanut products from Columbus, Ga., and grading machinery from Taccoa, Ga., and Vicksburg, Miss.

Present rates on glass bottles from Chattanooga to official territory are on a combination basis, using a commodity rate to Cincinnati, plus exception rates beyond. Approximately 25 percent of the production of the shipper who testified is shipped to the North, although he has only a "limited amount of tonnage" to offer in that territory. His sales have also been extended to the West.

The pickle manufacturer ships 25 percent of his output of salt stock and brine pickles to the North, and the finished product to the North

and South. The applicable rates are truck-competitive rates and are lower than the normal official territory level of rates. The witness's chief concern is that his present rates might be increased.

The shipper of peanut products ships them to all parts of the country, except New England, on rates lower than class rates. The company purchases a million dollars worth of peanuts annually and has annual sales of 5 million dollars.

The manufacturer of grading machinery ships his products all over the world. His first plant in the East was at Peoria, Ill. Later he established plants at Taccoa and Vicksburg. He made no complaint about his rates and testified that the plants were established in the South because of the many advantages in that territory.

Testimony with respect to shipper dissatisfaction with southern class rates was given by the secretary and manager of the Atlanta Freight Bureau, appearing for the southern governors, and by the commissioner of the Nashville Freight Bureau. The former introduced in evidence an exhibit listing 14 groups of commodities, the rates on which were claimed to have been detrimental to southern shippers. Only 6 of the 14 move on class rates. These are calendars, electric appliances, lead products, iron or steel tanks, cloths, and rags. The evidence shows that although the calendar manufacturer lost a contract to supply calendars to an oil refinery in 1943 he obtained a 1944 contract from the same company. In *State of Alabama* v. *New York Central R. Co.*, *supra*, we declined to disturb the existing basis of rates on certain electrical appliances, i. e., conduit outlet boxes, junction boxes, switch boxes, and outlet plates, and stated that the purchaser's familiarity with the manufacturer and with its products is generally controlling. It appears that the rates on cloth and rags about which complaint was made were not class rates. The shipper of lead at Atlanta ships his entire output to the South and has never asked the southern railroads for competitive rates to the North. The same is true with respect to the shipper of iron and steel tanks. To the Ohio River crossings, the Virginia cities, Chicago and Peoria, Ill., commodity rates on iron and steel tanks substantially lower than the class rates apply.

The witness for the Nashville Freight Bureau criticized respondents' failure to reduce rates on steel automobile truck bodies from Nashville to Metuchen, N. J., but admitted that the Nashville shipper obtained a contract for such truck bodies which provided for their purchase f. o. b. Nashville. His other criticism on behalf of a particular shipper was of the failure of the railroads to reduce the rates on shell boxes from Nashville to all points in official territory. He stated that rates on the basis sought had been established to 13 destinations. This shipper had not obtained a contract for the boxes and

does not produce them. There is one actual manufacturer of shell boxes at Nashville who is engaged in shipping the boxes.

EFFECT OF CLASS RATES ON ECONOMIC DEVELOPMENT

The southern proponents of class-rate uniformity argue that the southern class-rate structure has retarded and is retarding industrial development in the South; that whatever development has occurred has been largely in primary industries, and that uniformity of class rates in the South with those in the East is necessary to make possible and to stimulate greater industrial development in the South. The general revisions which we have made in the southern class rates and in the eastern class rates were based largely upon the preexisting levels of class rates. Our general revisions served to harmonize the class rates within those two territories, and to place them upon a basis reasonably related to distance, but, as previously stated, in neither of these revisions was primary attention given to harmonizing the two rate structures. At the time of the southern revision, motor carriers were not substantial competitors of the railroads, and at the time of the eastern revision, interstate motor carriers were not subject to regulation. In this connection it may be noted that the motor-carrier interveners are here advocating uniform class rates east of the Mississippi River, but on a basis much higher than in effect either in the South or East.

It is, of course, true that the South does not have as many industries as the East, and that a comparison of other data relating to manufacturing shows that manufacturing is vastly greater in extent in the East than in the South. The industrial development of the East is due to many factors other than transportation services and costs, such as climate, soil, natural resources, available water power, supplies of natural gas and coal, and early settlements of population which antedated the building of railroads.

The principal factors which control the location of industries are: Availability of and cost of obtaining and assembling raw materials, availability of markets, including cost of reaching such markets, adequacy and cost of fuel and power, climate, labor, capital, and, sometimes, momentum of an early start, and the personality of the individual founding the industry. In 1939, freight revenue on commodities in the manufactures and miscellaneous group was but 5.3 percent of the destination value of manufactured goods. From this it would seem that any differences in freight charges resulting from differences in class rate levels is only a small fraction of that figure. Many commodities have a nation-wide market, regardless of the location of the plants in which they are manufactured. Nearness to markets and ability to ship to markets, on a basis fairly and reasonably related to the rates of competitors, are nevertheless potent factors in the location

of a manufacturing plant. In fact, rate relations are more important to the manufacturer and shipper than the levels of the rates.

Statistics and testimony by southern witnesses relied upon to show retarded growth of the South industrially are mostly for the year 1939 and include the following:

Official territory has 16 percent of the land area and 53 percent of the population of the country.

Southern territory has 13 percent of the land area and 16 percent of the population.

Official territory has 53 percent of all persons gainfully employed and 69 percent of the persons employed in manufacturing industries.

Official territory has but 29 percent of the persons engaged in the extractive occupations in agriculture, forestry, mining, and fishing.

In 1939, added values for manufacturing accounted for 42 percent of the total income in official territory compared with 24 percent in the South, Southwest, and western trunk-line territory combined.

In 1940, the average per capita income for the 8 southern States ranged from $268 in Alabama to $481 in Florida, and the average dollar incomes per person employed from $649 to $1,335. In the same year corresponding data for 17 States in official territory were, per capita incomes from $417 in West Virginia to $1,063 in the District of Columbia, and average dollar incomes per person employed from $1,439 in Vermont to $2,446 in Delaware.

The average value of manufactured goods sold by official territory shippers in other parts of the country was $125.77 per ton in 1939. For the South, Southwest, and western trunk-line territories combined, the average value per outbound ton was $24.32.

The average ton shipped from official territory includes added values for manufacturing of $54.69; for the South, Southwest and western trunk-line territory combined, it was $4.18.

The South and West are much more dependent upon agricultural commodities and other raw and similar materials than official territory, and there is a downward slope of income as dependence of raw materials increases.

The South has a surplus of labor that agriculture cannot comfortably employ.

Southern labor is easily adapted to manufacturing pursuits.

Official territory does not have a monopoly of material and energy resources.

There is an abnormal concentration of national markets in official territory. It has 53 percent of the total market for necessaries; it absorbs 62 percent of consumer luxuries because of higher individual income; it has a concentrated market for raw materials and industrial machinery and equipment.

Other evidence offered to support the South's position included per capita income in the States comprising southern and official territories, ratios of the South to the United States with respect to wages, retail and wholesale trade, and availability of labor suitable for employment in industries requiring skill.

It is not contended that freight rates are the sole cause for the South's failure to enjoy a greater share of industry and the national income, but, as stated in the brief filed on behalf of the Southern Governors' Conference, "we do contend that the discriminatory freight rate adjustment has not only contributed to the failure of the South to develop in the past, but that unless it is removed the future industrial development of the South will continue to be retarded."

In order to determine if the South is or is not growing industrially, statistics over a period of years must be examined. Unless otherwise stated, the years used are 1929 and 1939. The following facts are derived from the statistics examined:

For the 10-year period, 1929 to 1939, the number of wage earners in manufacturing industries in the country as a whole decreased 11 percent; in official territory, 12 percent; and in New York State, 13 percent. There was an increase of 5 percent in the South.

There was a 22-percent decrease in manufacturing wages for the entire country, 23-percent decrease in official territory, and 3-percent decrease in the South. Some southern States had an increase.

The values of manufactured products for the entire country decreased 21 percent; in official territory, 25 percent; in New York State, 29 percent; and there was a 1-percent increase in the South. North Carolina had an increase of 8 percent.

Value added by manufacture, for the United States as a whole, decreased 23 percent, 24 percent in official territory, 12 percent in the South, and in New York State, 33 percent. North Carolina had an increase of 7 percent.

From 1930 to 1940, there was a greater decrease in agricultural employment in southern than in official territory; but manufacturing employment increased in the South and decreased in the North.

In 1941, income payments for the United States were 111 percent of those in 1929, for official territory 100 percent, and for the South 128 percent.

From 1930 to 1940, the number of gainfully occupied workers in manufacturing in official territory decreased from 70.5 percent to 69.4 percent of the country's total, but in the South, increased from 10 percent to 11.9 percent.

During the period from 1929 to 1939, the number of wage earners in the canned fruit and vegetable industry in the South increased 68 percent, as compared with an increase of 28 percent in official territory.

The number of wage earners in the cotton industry in 10 northern States decreased 45 percent, as compared with an increase of 12 percent in 6 southern States.

Value of cotton products decreased 55 percent in the northern States and 12 percent in the southern States, and the value added by manufacture decreased 48 percent in the North and increased 8 percent in the South.

Manufacture of heating and cooking apparatus, except electric, during the 10-year period, increased in the South and increased in the North. There was an increase of 39 percent in the number of wage earners in the South, and a decrease of 21 percent in the North. Value added by manufacture increased 8 percent in the South and decreased 32 percent in the North.

The number of wage earners in the furniture industry increased 16 percent in 6 southern States and decreased 33 percent in 12 northern States. Value added by manufacture decreased 43 percent in the northern States and less than 0.5 of one percent in the southern States.

There are other branches of manufacturing that have progressed more rapidly in the South than in the North, but there are some in which, during the 10-year period, the industrial trend was not as favorable in the South as in the North. These include the manufacture of morticians' goods, certain flavoring extracts and sirups, and flour and grain-mill products.

No specific instance was proved where an industry was not established in the South because of the class-rate level. However, in the nature of things this fact would be difficult to prove because of the many factors entering into the location of an industry.

A witness for the southern interests was the editor of an industrial publication devoted to the cause of industrial development of the South and Southwest. Excerpts from copies of this publication in 1940, contain a statement by the southern governors that, "In two years the volume of the South's manufactured products has increased approximately 35 percent and is now 2½ times the value of its agriculture output; during the same period the number of manufacturing plants in the South increased by 803 as contrasted to a decline in the rest of the United States of 3120." The publication contains many pages listing new industries that have located in the South, some of which are the largest in the country. They include plants manufacturing cigarettes, textiles, footwear, household furniture, paints, stoves, ranges, water heaters, tin cans, clothing, vegetables, drugs and medicines, flour, optical goods, and fluorescent lamps.

The southern governors called attention to the fact that since the start of the war, many plants manufacturing war materials have been established in the South, and that, when peace comes, these plants will

have to have rates on which they can begin immediately to do business. This is a national problem, as well as a territorial problem.

Another contention made by the Southern Governors' Conference is that raw materials and semimanufactured goods produced in the South, which are relatively low priced, are shipped to the North for final manufacture with subsequent reshipment of higher-priced manufactured goods back to the South, thus draining the South of its raw materials and semimanufactured products, and depriving it of the benefits flowing from the manufacture of high-priced goods. Raw materials, however, usually move on commodity rates.

The 2-day traffic analysis of all carload shipments moving on May 27 and September 23, 1942, shows the following distribution of traffic:

On the test days 3,507 carloads of products of agriculture originated in the South, of which 1,942 carloads, or 55.3 percent remained there, and 1,356 carloads, or 38.7 percent, were shipped to the East; 84.7 percent of the total carload movement of cotton, one of the South's most important agriculture products, moved between points in the South, some of which moved to the ports for export, and 13 percent was shipped to official territory. The most important movement of agriculture products from the South to official territory comprises fruits and vegetables.

In the animals and products group, 283 carloads, or 56.9 percent of the carloads originating in the South, moved to official territory, and 192 carloads, or 38.6 percent, moved to points in the South. Considerably more than half of the total movement of animals and products consisted of livestock and live poultry, practically all of which moves on commodity rates. The livestock rates both within the South and from the South to official territory were recently prescribed by us in *Alabama Public Service Comm.* v. *Aberdeen, & R. R. Co.*, 253 I. C. C. 241.

Of the total movement of products of mines originating in the South, 53.4 percent moved to the South and 43.9 percent to official territory; 78 percent of the latter movement was coal and coke. Coal from the South to official territory moves on commodity rates which are differentially related to rates from mines in official territory, and the rates on coke have been fixed by us on the same basis as the rates on coke in central territory.

In the products of forest group, 64 percent of the carloads originating in the South moved to points in the South, and 30.1 percent to official territory. The movement of the raw materials in this group, namely, logs, poles, fuel, and pulpwood was 90 percent to the South and 5.9 percent to the North, the movement of lumber, cooperage and plywood, manufactured products, was 2,031 carloads to the South and

2,064 carloads to official territory. These products moved on commodity rates.

In the manufactures and miscellaneous group, 10,301 carloads originated in the South, of which 3,193 or 31 percent were shipped to the official territory, and 5,666 or 55 percent to the South. On the same days, 55,789 carloads originated in official territory, of which 8 percent or 4,463 were shipped to the South and 77 percent or 42,958, to official territory.

FLORIDA PENINSULA [86]

In the southern revision, we prescribed class rates from and to the Florida peninsula on a higher level than for the remainder of southern territory. This higher basis was in the form of a distance scale of arbitraries,[87] referred to herein as the L–2 scale or arbitraries, for the haul within the peninsula to be added to the standard or basic rate from origin to destination. They accrue solely to the peninsula lines, and apply uniformly on all interstate class-rate traffic, intraterritorial and interterritorial, on which the rates were prescribed on a distance basis. On the average, they are about 15 percent of the prescribed basic southern K–2 scale for the same distance. The addition of these arbitraries to the basic rates was authorized because of the unfavorable conditions confronting the carriers operating in the peninsula, such as light density of traffic, high ratio of empty to loaded car mileage, and the inability of those carriers to earn a reasonable return on investment. For the same reasons, similar arbitraries were included in the class rates prescribed in the western-southern revision between the peninsula and western trunk-line territory, all of which were key rates. No arbitraries were included in, nor do the L–2 arbitraries apply in connection with, the key or group rates prescribed in the southern revision between the peninsula and the north Atlantic ports and points in the eastern portion of official territory. For example, the first-class rate between New York, N. Y., and Miami, Fla., is $2.89, which is lower than the K–2 scale rate of $2.95, exclusive of any Florida arbitrary. In constructing these group rates we gave consideration to both the rail and the water routes, and the rates were made somewhat lower over the former and somewhat higher over the latter than if such routes had been dealt with separately.

In the instant proceeding, the Governor and the Railroad Commission of Florida and certain associations and shippers, hereinafter collectively referred to as the State, join in the plea of the other southern States for the establishment of uniform classification ratings and rates, and specifically request that the Florida peninsula be placed on

[86] This subdivision of southern territory embraces all points in Florida south of the line of the Seaboard Air Line Railway Company from Jacksonville to River Junction, Fla.

[87] Known as the appendix L–2 scale in our third supplemental report (128 I. C. C. 567) in the southern revision.

an equality with and accorded the same level of class rates, mile for mile, as the remainder of southern territory.[88] It is the State's position that the addition of arbitraries to the basic rates to and from the peninsula results in unreasonable rates and discrimination against the peninsula, and favors the other southern States; that there has been an enormous increase in the number of tons of freight originated and terminated in Florida since the southern revision; and that the peninsula can no longer be considered an area of light-traffic density. Respondents' position is that there have been no such changes in conditions, either as to traffic density, operating costs, or otherwise in the peninsula since the southern revision as would warrant the elimination of the present arbitraries; and that the rail rates at present in effect are reasonably adapted to meet all requirements of Florida industries and shippers, such rates in numerous instances being below the prescribed maximum reasonable level as the result of the railroads' effort to meet the competition of other transportation agencies.

The present rates for the 12 numbered classes between 9 representative points in the peninsula [89] and 19 representative points in southern territory, or border points,[90] for an average distance of 665 miles average $1.0244, as compared with an average of 94.35 cents under the basic K–2 scale. The excess of the present rates over the K–2 rates between these points averages 8.56 percent. Differences resulting from the addition of the arbitraries also occur in the rates between the points in the peninsula and points in other territories. In all instances, however, the excess of the peninsula rates over the basic southern scale decreases as the distances and basic rates increase.

Between the 9 points in the peninsula and the 19 points in southern territory referred to above, the first-class rates average $2.185 and produce an average earning of 65.7 mills per ton-mile. Under the K–2 scale for the same average distance of 665 miles, the first-class rate is $2.02 and it produces 60.07 mills per ton-mile. The excess over the K-2 first-class rates resulting from the arbitraries averages about 16.5 cents per 100 pounds and 5.15 mills per ton-mile.

The three principal railroads operating in the peninsula are the Atlantic Coast Line, the Seaboard Air Line, and the Florida East

[88] A substantial portion of the State's evidence is directed to the higher level of rates in southern territory than in official territory, and to the differences in classification ratings in the respective territories. Those matters are dealt with elsewhere in this report. We will here consider only the evidence relating to the propriety of the addition of arbitraries to the basic rates for the haul in the Florida peninsula, as was done in the southern revision.

[89] Fort Myers, Gainesville, Lake Wales, Miami, Melbourne, Ocala, Orlando, Tampa, and West Palm Beach, Fla.

[90] Birmingham, Montgomery, and Mobile, Ala., Atlanta and Macon, Ga., Cairo, Ill., Evansville, Ind., Louisville, Ky., New Orleans, La., Jackson, Miss., Charlotte and Raleigh, N. C., Cincinnati, Ohio, Columbia, S. C., Memphis, Chattanooga, and Nashville, Tenn., and Lynchburg and Richmond, Va.

Coast.[91] They operate approximately 2,027, 1,687, and 685 miles of road, respectively, in Florida, and reach practically all parts of the peninsula and to a large extent serve the same areas. The Atlantic Coast Line and the Seaboard Air Line also operate in Alabama, Georgia, North Carolina, South Carolina, and Virginia, but the Florida East Coast operates in the peninsula only. These three railroads transported a total of 18,298,630 tons of freight in the State in 1940.

In support of its contention that the traffic density of the Florida railroads has materially increased since the southern revision, the State points out that, based on the reports of carriers to the Railroad Commission of Florida, the total tons of revenue freight carried by the railroads in Florida were 10,667,895 tons in 1921 and 22,701,663 tons in 1940, an increase of 112 percent. As to the traffic density of Florida compared with that of other States, the State submitted in evidence an exhibit, compiled from statements issued by our Bureau of Transport Economics and Statistics showing that the tonnage originated and terminated on class I railroads in Florida in 1940 exceeded the corresponding tonnages handled by class I carriers in 25 and 22 States, respectively, in the same year.[92] The composition of Florida's originated and terminated traffic for that year, segregated as to the five groups of commodities used in our statistical compilations, is as follows:

Group	Products of—	Originated			Terminated		
		Number of commodities	Number of tons (of 2,000 pounds)	Percent of total	Number of commodities	Number of tons (of 2,000 pounds)	Percent of total
I	Agriculture	42	1,156,458	8.15	42	418,769	2.9
II	Animals	22	21,612	.15	22	197,266	1.3
III	Mines	18	8,144,574	57.39	18	8,071,085	57.1
IV	Forest	12	2,380,610	16.77	12	2,064,362	14.5
V	Manufacture and miscellaneous	62	2,466,981	17.54	62	3,392,792	24.0
	Total	156	14,192,235	100.00	156	14,124,276	100.0

In the comparisons made of the tonnage in this table with that of other States for the same year, it is shown that Florida's originated tonnage exceeded that of New Jersey by more than 1,857,000 tons; that of Maryland by more than 5 million tons; that of Georgia and South Carolina combined; that of North Carolina and Mississippi combined; and that it not only exceeded each of the New Engla

[91] The Louisville & Nashville Railroad, Georgia & Florida Railroad (Southern Railway System), and St. Louis-San Francisco Railway each have a relatively small mileage in northern Florida. In addition, a number of class II railroads operate in the State, including the Atlanta & Saint Andrews Bay Railway, Apalachicola Northern Railroad, Live Oak, Perry & Gulf Railroad, and South Georgia Railway.

[92] The States and the number of tons originated and terminated are listed in statement Q-550 and series 1940, No. 12, compiled by our Bureau of Railway Economics and Statistics from carrier reports.

States of Maine, Massachusetts, Vermont, New Hampshire, Connecticut, and Rhode Island, but was within about 200,000 tons of the total combined tonnage of those States. With respect to the terminated tonnage, it is shown that Florida exceeded that of Georgia by more than 2 million tons; that of Kentucky by more than 2.5 million; that of North Carolina by more than 2.75 million; that of South Carolina by more than 7 million; and that of Mississippi by more than 7.75 million. A somewhat similar comparison was made by respondents in connection with the tons of revenue freight handled by the Atlantic Coast Line and the Seaboard Air Line systems in 1940, and, on brief, the State points to this data as supporting the foregoing comparisons. As to the Atlantic Coast Line, the tons of revenue freight carried by it were, in million tons, 7.1 in Florida, 4.1 in Virginia, 5.2 in North Carolina, 5.5 in South Carolina, 5.2 in Georgia, and 2.3 in Alabama; and the figures shown for the Seaboard Air Line are 7.8 in Florida, 6.1 in North Carolina, 4.5 in South Carolina, 5.9 in Georgia, 2.1 in Alabama, and 4.5 in Virginia.

The following table, compiled from an exhibit of respondents, shows the trend in the traffic density over a period of years in connection with the revenue freight tonnage and ton-mile revenue freight per mile of road of the Atlantic Coast Line in Florida and other southern States traversed by that railroad:

Atlantic Coast Line Railroad

Period	Florida		Alabama		Georgia		North Carolina		South Carolina		Virginia	
	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]
Year 1925	12.20	0.74	2.05	0.90	7.95	1.21	7.91	0.86	6.20	0.88	5.51	1.98
Year 1926	15.11	0.86	2.07	0.94	8.75	1.36	7.85	0.82	6.02	0.85	5.31	1.96
Year 1927	10.98	0.87	1.77	0.76	6.40	0.88	7.42	0.75	6.04	0.83	5.15	1.88
Year 1928	8.62	0.44	1.73	0.69	5.41	0.70	7.29	0.71	5.80	0.79	4.80	1.74
Year 1929	8.54	0.40	1.40	0.56	5.56	0.75	6.81	0.71	5.54	0.80	4.80	1.83
Year 1930	7.66	0.36	1.17	0.49	5.03	0.66	5.78	0.61	4.92	0.68	4.02	1.54
Year 1931	6.21	0.30	0.90	0.39	4.30	0.57	4.90	0.53	4.50	0.62	3.49	1.35
Year 1932	4.52	0.22	0.56	0.25	2.96	0.39	3.22	0.35	2.66	0.39	2.43	0.94
Year 1933	4.84	0.23	0.52	0.23	3.02	0.40	2.58	0.28	2.83	0.41	2.61	1.00
Year 1934	5.56	0.25	0.65	0.29	3.25	0.43	3.76	0.39	2.84	0.40	2.65	0.97
Year 1935	5.70	0.22	0.67	0.29	3.31	0.43	3.93	0.41	3.01	0.43	2.76	1.02
Year 1936	6.50	0.27	1.13	0.42	4.27	0.55	4.50	0.46	3.62	0.52	3.25	1.20
Year 1937	6.58	0.30	1.20	0.50	5.07	0.66	5.45	0.57	4.32	0.64	3.73	1.42
Year 1938	6.03	0.27	1.14	0.45	4.43	0.57	4.76	0.51	3.85	0.54	3.31	1.26
Year 1939	7.16	0.31	1.20	0.50	5.23	0.65	5.20	0.56	4.50	0.63	3.76	1.44
Year 1940	8.74	0.37	1.54	0 64	6.25	0.79	5.73	0.64	5.55	0.75	4.15	1.60

[1] Millions of tons (of 2,000 pounds) of revenue freight.
[2] Average ton-mile revenue freight per mile of road, expressed in millions.

It will be observed from this table that the figures shown in column A bear out the State's contention with respect to Florida's revenue freight tonnage as compared with that in the other States shown. Respondents, however, stress the comparisons made in column B, which shows that the average ton-mile revenue freight per mile of road in Florida is lower than that in the other States named. In

this respect, they call attention to the comparison made for the year 1939, which indicates that the traffic density in Florida, as expressed in ton-miles of revenue freight per mile of road, was barely more than half of that in Alabama; less than half of that in Georgia or South Carolina; only slightly more than half of that in North Carolina; and far below that in Virginia. They also call attention to the comparison made for the 5-year period from 1935 to 1939, as contrasted with the years 1925 and 1926, when the southern revision was before us. At no time during the latest 5-year period of what may be termed normal operations was the relation of Florida's traffic density, as indicated in column B of the table, to that of the other States as favorable, relatively, as it was in 1925 and 1926 when the volume of traffic in Florida was to a considerable extent affected by the Florida real estate "boom" of those years, which were therefore abnormal.

Respondents criticize the "tonnage originated" and "tonnage terminated" comparisons made by the State, on the ground that they failed to take into account the overhead, or transstate, traffic, or either the composition of the tonnage or the extent to which the same traffic may both originate and terminate in the same State. They call attention to the fact that the total of all tonnage originated by class I railroads in Florida in 1940, 14,192,235 tons, was almost identical with the total tonnage terminated. In view of that fact, it is their position that the traffic which originates in Florida contributes very little to the tonnage of other States because by far the greater portion of the traffic which originates in Florida also terminates in that State. In this connection, respondents submitted in evidence an exhibit showing that for the year 1940 the rail tonnage originating and terminating in Florida on 10 commodities,[93] generally of low grade and heavy loading, contributed 11,363,671 tons, or approximately 80 percent, of the originated and 10,598,529 tons, or about 75 percent, of the terminated traffic. Phosphate rock and crushed stone constituted more than 51 percent of the entire tonnage originated and 46 percent of all tonnage terminated. More than 95 percent of the stone handled originated and terminated within the State. Large quantities of the prosphate rock moved a weighted average distance of 32 miles from inland points[94] to Tampa for export. The greater portion of the lumber originated and terminated in the State. Most of the petroleum products were received by water and were either used at the ports or were distributed to inland points within Florida; and most of the fertilizers used in the State were also produced there.

[93] Sand and gravel; stone, broken, crushed or ground; phosphate rock; logs, pulpwood; lumber; shingles and lath; box, crate and cooperage material; refined petroleum oils; fuel, road and residual oils; and fertilizers.

[94] Agricola, Brewster, Coronet, Mulbery, Nichols, Phomisco, Pierce, and Ridgewood, Fla.

The State contends that the Florida arbitraries have been an important factor in the rapid development of Florida's water, water-rail, and rail-water traffic and motortruck traffic, and that the high level of class rates to and from the peninsula have diverted an enormous quantity of traffic to those agencies which the railroads would have handled if the arbitraries had been eliminated. However, the arbitraries have in many instances been eliminated to meet such competition.

Normally, there is intense competition between the rail carriers and the water and motor carriers for Florida's traffic, and this competition is reflected in the traffic densities and freight revenues of the peninsula railroads. Florida's 1,315 miles of ocean coast line exceed that of any continental State in the Union. It has 18 deep-water ports and 28 navigable waterways. Prior to the present war, common and contract carriers operated on the inland waterways and regular service was afforded from the ports by ocean-going vessels in coastwise, intercoastal, and foreign trade. The population of the cities and towns in Florida in 1940 was 1,137,996. There are 61 cities or towns located directly on the waterways, and their population was 77 percent of the urban population in 1940. The average distance from 67 other towns, not on the waterways, to the nearest port or waterway is 39 miles, or, stated differently, 79 percent of the urban population is within 10 miles of waterways, 17 percent within 50 miles, and the remaining 4 percent within 100 miles.

Statistics in the form of exhibits taken from the United States Army Engineers' publications show that in 1939, 16,066,747 tons of traffic moved by water within, to, and from Florida, divided as follows: Foreign commerce, 2,621,948 tons; coastwise traffic, 7,384,049 tons; domestic traffic other than local, 5,232,247 tons; and local traffic, 828,503 tons. An average of 10,369,478 tons of foreign, domestic, and internal water-borne traffic has moved to and from Florida through 12 of its principal ports [95] in the 7 years through 1940, and each year except 1940 shows an increase over the preceding year. In respect of the water-borne foreign commerce in the States bordering on the oceans, the Gulf, and other waterways, Florida ranked ninth in volume of traffic in 1939 and was exceeded only by New York, California, Texas, Ohio, Louisiana, Maryland, Pennsylvania, and Massachusetts. The water-borne traffic handled in 1939 was distributed through the 12 principal ports named; and at least half of the foreign commerce and coastwise tonnage transported between Florida ports and the Atlantic, Gulf, and Pacific coasts moved through Tampa and Jacksonville.

[95] Fernandina, Fort Pierce, Jacksonville, Key West, Panama City, Pensacola, Port Everglades, Port St. Joe, Miami, Port of Palm Beach, South Boca Grande, and Tampa, Fla.

With respect to motortruck competition, the record shows that 101,483 truck and trailer licenses were issued by the State of Florida in 1940, 97.4 percent of which was for privately owned or operated trucks and trailers and the remainder for "for hire" trucks. The privately owned and operated trucks provide the principal highway competition. Hucksters purchase fruits and vegetables in Florida and haul them to practically every State east of the Rocky Mountains. Between October 1941 and May 1942, observers stationed at the State line by the Florida Department of Agriculture reported truck movements of freight equivalent to 31,961 carloads. Nonregulated truckers haul return loads for very little more than the out-of-pocket cost of gasoline and oil. From December 1940 to April 1941 the truck movement of onions from central territory to Florida was equivalent to 88 carloads.

Respondents testified that they have been at all times alert to establish reduced rates by rail, either voluntarily or upon request of shippers, to meet water and motortruck competition. The peninsula arbitraries on intrastate traffic moving at column 100 to column 35 rates, inclusive, were voluntarily removed by them to meet competition of the motortrucks, which had eliminated the arbitraries from their rates. Aside from citrus fruits and vegetables, it is said that the principal products which are shipped in any important volume from Florida to northern and eastern markets are phosphate rock, lumber, naval stores, raw sugar manufactured at a plant in south Florida, and canned fruits and vegetables, principally canned citrus fruits and juices.

Rates on fruits and vegetables made percentages of first class were prescribed by us in *Florida Railroad Commrs.* v. *Aberdeen & R. R. Co.*, 144 I. C. C. 603, 177 I. C. C. 735; and in *Southeastern Vegetable Case*, 200 I. C. C. 273; but because of motortruck competition the railroads reduced the prescribed rates about 15 percent. The present rates are, however, still on a column basis and therefore include the Florida arbitraries. Application of the eastern class-rate basis to this traffic as requested by the State would, respondents say, cut joint revenues of the railroads $400,000 in one season. There is no proof of this assertion. Application of the eastern class-rate scale from points in Florida to points in central territory would in some instances make lower class rates than the present column rates, but there is no showing of the amount of revenue that would be involved.

In *Citrus Fruit from Florida to North Atlantic Ports*, 211 I. C. C. 535, 218 I. C. C. 637, 226 I. C. C. 315, 237 I. C. C. 245, the rail carriers were authorized to establish and maintain on citrus fruits, in carloads from producing points in Florida to the north Atlantic ports, rates on the basis of the truck rates to the Florida ports and the water rates beyond, without observing the long-and-short-haul provision of section

4 of the act. The rates authorized were established by the railroads and they contain no Florida arbitraries.

In *Commodity Rates to South Atlantic Ports*, 186 I. C. C. 675, 197 I. C. C. 309, 214 I. C. C. 7, 222 I. C. C. 427, division 2 authorized carriers to establish and maintain over their all-rail routes from points in central and Buffalo-Pittsburgh territories, and portions of western trunk-line territory, to certain south Atlantic and Florida ports, on carload traffic for which they compete with rail-and-water routes from and to the same points through north Atlantic ports, commodity rates made 110 percent of the rates over the latter routes, without observing the long-and-short-haul provision of section 4. The rates authorized were establisfed by the railroads on a rather long list of commodities, and these rates do not contain any Florida arbitraries.

Among the principal commodities which move from or to Florida on rates which include no arbitraries are the following: Lumber, which comprised 11.5 percent of the rail tonnage exported from Florida in 1939; forest products, which in 1940 constituted 16.77 percent of the tonnage originated, and 14.75 percent of the tonnage terminated, in that State; phosphate rock, which in 1940 represented 35.29 percent of the tonnage originated, and 30.56 percent of the tonnage terminated; fuel oil, which in that year comprised 2.77 percent of the tonnage originated, and 2.56 percent of the tonnage terminated; fertilizer and fertilizer materials, which in 1939 constituted 33.2 percent of the total import traffic to Florida and in 1940 comprised 3.3 percent of the tonnage originated, and 2.85 percent of the tonnage terminated; gypsum rock, which in 1939 represented 12.29 percent of the total import traffic to Florida; sugar, which in 1939 comprised 2.84 percent of the total Florida imports; coffee, which in 1939 comprised 1.9 percent of the total import traffic to that State; bananas and pineapples, which represented 10.15 percent of the traffic imported through five Florida ports in 1939; and sodium sulphate, which constituted 5.3 percent of the traffic imported through four Florida ports in 1939. Scrap iron and steel represented 6.38 percent of the export traffic from Florida in 1939 and the rates thereon bear no relation to the class rates. Movements between Panama City, Fla., and Port St. Joe, Fla., are outside the Florida arbitrary territory, and the rates thereon do not include any arbitraries.

Raw cane sugar is produced in Florida and shipped out of the State on special commodity rates which contain no arbitraries. Blackstrap molasses is produced in large quantities in Florida sugar mills and shipped to consumers in southern and official territories at rates based on percentages of first class from which the arbitraries have been eliminated. On livestock from the Southwest to Florida the rates prescribed by us do not include any arbitraries. With respect to the

north-bound rates on livestock from Florida, the carriers voluntarily agreed to eliminate the arbitraries therefrom.

On the other hand, we have from time to time since the southern revision approved the addition of arbitraries in varying amounts to prescribed commodity rates between points in the peninsula and points in southern, official, and other territories. In the case of some commodities the arbitraries were made approximately 15 percent of the basic distance scale. In other instances they are higher. A rather complete review of the cases in which arbitraries have been prescribed appears in *Fresh Meats and Packing-House Products* (1933), 191 I. C. C. 257.

Respondents stress the fact that in the eastern revision we prescribed arbitraries or differentials of approximately 15 percent for the northern part of New England (zone B) and approximately 10 percent for zone C in the northern part of lower Michigan, and take the position that, if conditions warrant the continuance of New England and Michigan arbitraries, they justify the continuance of the arbitraries for the Florida peninsula, quoting the following from page 404 of our original report in the eastern revision, 164 I. C. C. 314:

> Differences in transportation conditions between northern and southern New England justifying different rate levels have long been recognized by both Federal and State regulatory bodies. The carriers in zone B have a much lower density of traffic than those of zone A (southern New England). In this respect the situation of the northern zone is not unlike that of the Florida peninsula, described in *Southern Class Rate Investigation*, 100 I. C. C. 513. In that proceeding rates were prescribed to and from points in the peninsula based on the normal scale, plus arbitraries substantially 15 percent of that scale for the portion of the haul within the peninsula.

In the report in the eastern revision we prescribed the distance scales set forth in appendixes G and H thereto, for application within zones A and B, respectively, of New England. The appendix G scale was made about 5 percent higher than the basic eastern appendix E scale, and the appendix H scale was made 10 percent higher than the appendix G scale. The scales prescribed for zones A and B apply between points within those respective zones only, and do not apply on traffic between points in New England and points in the remainder of official territory. For application to traffic between points in zone B and points in trunk-line territory and between points in Michigan zone C and points in central territory, we prescribed the appendix E scale, plus the distance scale of arbitraries set forth in appendix F of our original report for the hauls within the zones. These arbitraries range from about 6.4 to 9.5 percent and average about 8.8 percent of the eastern basic appendix E scale for the same distance. As hereinbefore pointed out, the Florida L-2 arbitraries average about 15 percent of

the southern basic K–2 scale for the same distance. It should also be noted that the appendix J key rates prescribed in the eastern revision for application between central territory and other subterritories, including New England, contain no arbitraries.

The size of the State of Florida closely approximates that of the New England States combined. The land areas are 54,262 square miles for Florida and 55,205 square miles for New England. Florida has 5,218 miles of railroad; the New England States, 5,677 miles. In 1940 Florida originated 2,719.86 tons of freight per mile of road while the New England States originated 2,536.46 tons per mile of road. In the same year the tonnage terminated per mile of road in Florida was 2,706.92; in the New England States, 6,098.23. Total tonnage originated and terminated per mile of road was 5,426.84 for Florida and 8,634.69 for New England. There are 44 counties in Florida which lie wholly in the arbitrary territory, embracing a combined land area of 38,224 square miles. In the States of Maine, New Hampshire, and Vermont there are 30 counties lying wholly within zone E arbitrary territory, having a land area of 41,560 square miles. For the same year, the traffic density (revenue net ton miles per mile of road) for the Florida East Coast was 590,603; for the Boston & Maine, 1,259,409; the Central Vermont, 1,335,647; Maine Central, 640,764; New York, New Haven & Hartford, 4,695,763; Detroit, Toledo & Ironton, 1,199,486; Pere Marquette, 1,384,192; and New York Central, 2,695,596.

One of the contentions stressed by the State is that small industries have been handicapped by the present class-rate structure in doing business in official territory. Among the commodities mentioned are palmetto brush fiber and fiber brushes, crystallized or candied citrus fruit, furniture, and several others. With respect to these commodities respondents' records failed to disclose that as to most of them the railroads had ever been approached by either shipper organizations or shippers themselves upon the subject of rates from the peninsula producing points. In instances where they had been approached, the competitive rates of the water or motortruck carriers were found to be so low that the railroads would not undertake to meet them under any circumstances. Pursuant to requests of the shippers of crystallized citrus candy and lawn and garden furniture, the rates on these commodities within the South and from the South to the North were substantially reduced in 1942.

The following statements show the net railway operating income of the Atlantic Coast Line, the Seaboard Air Line, and the Florida East Coast, the rate of return on their recorded investment in property used for common-carrier purposes, and the deficits after fixed charges:

Period	Atlantic Coast Line			Seaboard Air Line			Florida East Coast		
	Net railway operating income	Rate of return	Deficit after fixed charges	Net railway operating income	Rate of return	Deficit after fixed charges	Net railway operating income	Rate of return	Deficit after fixed charges
		Percent			*Percent*			*Percent*	
Year 1927							$392,205	0.48	$1,774,70
Year 1929							1,426,619	1.13	1,097,45
Year 1929							1,637,981	1.33	1,323,20
Year 1930				$5,817,039	1.90	$4,596,620	1,040,154	.87	1,966,31
Year 1931	$4,748,109	1.57	$672,654	2,578,649	.84	7,110,747	664,636	.56	2,346,98
Year 1932	108,199	.37	5,251,024	208,830	.07	9,281,174	*831,776*		3,316,69
Year 1933	4,299,811	1.47	985,935	2,622,093	.88	6,530,504	*754,910*		3,155,68
Year 1934	4,280,557	1.47	958,690	1,631,913	.54	8,029,553	225,476	.19	2,805,81
Year 1935	2,578,763	.89	2,610,224	1,601,943	.50	7,609,368	*822,595*		3,222,79
Year 1936	4,415,756	1.52	674,150	3,515,582	1.15	6,097,452	877,796	.77	2,071,63
Year 1937	4,938,776	1.70	118,263	3,753,989	1.21	4,630,279	741,578	.66	2,181,18
Year 1938	2,390,751	.81	2,659,786	1,449,486	.46	7,590,161	1,029,492	1.22	1,965,53
Year 1939	3,781,872	1.30	1,182,166	3,594,371	1.13	5,556,555	743,699	.87	2,091,03
Year 1940	3,757,234	1.28	1,051,712	4,404,333	1.36	4,973,349	985,219	1.15	1,913,90

Deficits in italics.

If these statistics are accepted at their face value, the carriers' need for additional revenues in the years shown is plainly indicated. The elimination of the arbitraries would, of course, reduce these carriers' revenues to the extent that they now apply, unless additional revenues could be found to offset the loss. The carriers failed to show how much revenue is obtained by the addition of arbitraries either to the class rates or the commodity rates. No traffic test has been made, and there is no separation of the traffic and revenue statistics as between the peninsula and northern Florida and other States in which the peninsula lines operate.

KENTUCKY AND EVANSVILLE, IND.

The Commonwealth of Kentucky was not associated [96] with the Southern Governors' Conference in this proceeding and did not actively support the plea for parity of class rates in southern and official territories. It and the railroad commission of the State urged that there is no sound economic, financial, or operating reason why Kentucky should not have the same rates, classifications, and exceptions as apply in official territory, regardless of what we may do as respects southern territory as a whole. They base this upon the grounds that, with the possible exception of the short stub end of the Nashville, Chattanooga & St. Louis and Tennessee Central railroads extending a short distance into Kentucky, the operating costs of the railroads in the State are as low, and the earnings are as high, as any to be found in the country, except on the Pocahontas lines, even with which the costs and earnings of the other Kentucky lines compare favorably.

Kentucky was included within southern territory in the southern

[96] This is true also of the public authorities of the State of Virginia, on whose behalf no evidence was introduced and no brief was filed.

revision. Subsequently, in *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.* (1935), 213 I. C. C. 297, we accorded it treatment different from that in the South generally with respect to class rates to and from official territory. The effect of that decision was to reduce the class rates between interior Kentucky points and official territory to a basis approximately 15 percent higher than the basic eastern scale. The rates between official territory and points in Kentucky on the Pocahontas lines were already on the level of that scale. The intrastate rates in Kentucky prescribed by the State railroad commission, were before us in *Intrastate Class and Commodity Rates in Kentucky* (1937), 223 I. C. C. 109, but we did not require them to be changed. They are on substantially the same basis as that applicable in official territory for the distances most of the traffic in Kentucky moves, and are governed by the official classification. The only interstate adjustment of class rates in Kentucky which is on a basis different from the official territory level is that to and from stations in the State served by southern carriers. The present class 100 rates, between all points in the State with a population of 1,000 or more persons and representative cities (Boston, Mass., New York, N. Y., Philadelphia, Pa., Buffalo, N. Y., Pittsburgh, Pa., Cleveland, Ohio, Columbus, Ohio, Detroit, Mich., Indianapolis, Ind. Chicago, Ill., St. Louis, Mo.) in official territory, average 9.8 percent in excess of the rates for corresponding distances in the latter territory.

One of the principal contentions of the Kentucky interests is that railroad operating costs in Kentucky are lower than those in the remainder of the South and lower than those in the East. This contention is based upon the cost data prepared by our staff previously referred to. Cost of service is only one factor to be taken into consideration in the prescription of reasonable rates. Railroad operating costs in Kentucky are influenced in major degree by the enormous coal tonnage of the Louisville and Nashville Railroad.

Our actions in prescribing, in the eastern revision, the eastern scale of rates to points in northwestern Illinois and southern Wisconsin, and in extending, in other proceedings, the official territory basis to points not served by eastern district lines, are referred to. It is asserted by Kentucky interests that the treatment accorded Kentucky is much less favorable than that accorded southern Illinois, southern Indiana, southern Ohio, northern Michigan, New England, various other Illinois points, and Virginia and West Virginia, in which areas, it is alleged, less favorable operating conditions obtained than in Kentucky.

The Kentucky interests contend that, under the provisions of section 15a of the act, which, among other things, requires us, in the exercise of our authority to prescribe just and reasonable rates, to give due consideration, among other factors, to the effect of rates on the move-

ment of traffic, we are obliged to take due cognizance of a rate structure which has enabled intercity trucks to take over an undue proportion of the total traffic.

A witness for the State testified that the total intercity truck traffic could be loaded in the empty space of railroad cars already moving partially loaded, and that the added traffic could be handled at little cost to the railroads. Nearly 50 percent of both truckload and less-than-truckload intercity truck tonnage, and about two-thirds or more of the revenue ton-miles performed in such services, are from shipments transported for distances beyond 300 miles over routes largely paralleling railroads. The witness also expressed the view that this traffic can, as a general rule, be handled economically by rail and, generally speaking, is handled by carriers by motor vehicle only because of their opportunity to choose traffic as a result of the continuance of an outmoded railroad rate structure.

There is also a claim that the existing class rates in Kentucky have hindered industrial development in that State. Since our decision in *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, *supra*, (decided December 9, 1935), when interstate class rates into and from Kentucky were reduced to a basis slightly higher than the official level, the industrial development in Kentucky has been less than in Tennessee, in which the higher southern level of class rates has applied during that period. Many of the contentions of the Kentucky interests and much of the testimony introduced herein in their behalf were before us and were considered by us in the proceeding last cited.

No Kentucky shipper testified in opposition to the present adjustment. The representative of the Louisville Board of Trade asserted that the shippers and receivers of freight in Louisville have no complaint about the existing class-rate adjustment, and specifically requested us not to disturb it.

The State of Kentucky calls our attention to certain provisions of the Constitution of the United States in support of its claim to an equality of rates with official territory. The provisions in question are the first clause of section 8, article 1, requiring that duties, imposts and excises laid and collected by Congress "shall be uniform throughout the United States" and the sixth clause of section 9 of the same article which provides that "no preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another." It is urged, first, that all regulations of commerce under these sections must be uniform throughout the United States, and, second, that inasmuch as the evidence in this record establishes the fact that costs of transportation by railroad in Kentucky are no higher than they are in official territory, we must interpret and apply these Constitutional mandates in our administration of the Interstate Com-

merce Act so as to accord Kentucky rates that are no higher than those which currently apply within official territory.

In support of the foregoing position, the State of Kentucky refers to the decision of the Supreme Court in *Knowlton* v. *Moore*, 178 U. S. 41. In that case the Court reviewed the history relating to the adoption of these provisions of the Constitution; stated that, although the provision prohibiting preference between ports and that requiring uniformity of duties, imposts, and excises were one in purpose and one in their adoption, they became separated only in arranging the Constitution according to an adopted style; and concluded that the words "uniform throughout the United States" in the latter provision signify simply a geographical, and not an intrinsic uniformity.

In *Louisiana Public Service Commission* v. *Texas & N. O. R. Co.*, 284 U. S. 125, the Court had occasion to review an order of this Commission entered in *Sand, Gravel, Crushed Stone, and Shells*, 155 I. C. C. 247, 157 I. C. C. 498, whereby we prescribed rates, based on distances, for the transportation of sand, gravel, and certain other road materials in Arkansas, Oklahoma, Texas, and a part of Louisiana, but provided that the rates to and from certain points on the east bank of the Mississippi River were to be determined by adding to the distance rates 8 cents per ton. It was contended on behalf of Louisiana ports on the east bank of the river that the provision for the addition of the latter amount to the distance rates to and from those ports constituted a preference of Texas ports over those of Louisiana, caused by a regulation of commerce, in violation of the port preference clause of section 9, article 1, of the Constitution. In rejecting this contention, the Court said, at page 131:

> The specified limitations on the power of Congress were set to prevent preference as between States in respect of their ports or the entry and clearance of vessels. It does not forbid such discriminations as between ports. Congress, acting under the commerce clause, causes many things to be done that greatly benefit particular ports and which incidentally result to the disadvantage of other ports in the same or neighboring States. The establishing of ports of entry, erection and operation of lighthouses, improvement of rivers and harbors, and the providing of structures for the convenient and economical handling of traffic are examples. *Pennsylvania* v. *Wheeling & Belmont Bridge Co.*, 18 How. 421, 433–435. And see *Armour Packing Co.* v. *United States*, 209 U. S. 56, 80.

In *Armour Packing Co.* v. *United States*, *supra*, the Court said:

> The fact that regulation, within the acknowledged power of Congress to enact, may affect the ports of one State more than those of another, cannot be construed as a violation of this constitutional provision.

In our opinion, the particular provisions of the Constitution just referred to, as construed by the Supreme Court, do not require that freight rates be the same in each State or section of the United States, regardless of differences that may exist in the circumstances and con-

ditions generally recognized as controlling factors in the making and regulation of rates.

The traffic manager of the Evansville, Ind., Chamber of Commerce requested that the level of the class rates in southern territory be reduced. He also complained that St. Louis, Mo., has some advantage over Evansville in class rates from those points to destinations in the Southeast and Southwest. The nature of the complaint, however, cannot be determined upon the record. Evansville is a border point on the Ohio River between southern and official class-rate territories. Class rates between Evansville and points in official territory are on the official territory level; those between Evansville and points in southern territory are on the southern territory basis. Thus, shippers at Evansville are in a position to ship into either territory on the level of class rates that applies within the destination territory.

OFFICIAL TERRITORY

The volume of traffic moving on class rates within official territory is much greater than in any other territory. Considering, first, less-than-carload traffic as class-rate traffic,[97] the revenue therefrom in 1941 was as follows:

	Revenue
Official territory	$150,263,282
Southern region	55,890,927
Western district	100,678,273

Second, much more freight moves on class rates or exceptions to the classification in official territory than in other territories. Third, the volume of interterritorial traffic handled by official respondents is greater than that of any other group of carriers, both as to the amount that moves on class rates or on exception ratings, or on all kinds of rates.

A study testified to by a member of our staff shows the distribution of carload traffic in each statistical commodity group by territorial movement on May 27 and September 23, 1942. Of all carloads transported on those days, 49.2 percent originated in official territory and 54.2 percent terminated there. Official territory originated 132,129 carloads, of which 111,914 carloads or 84.7 percent terminated there, and 15.3 percent terminated in other territories. The distribution of traffic on the two test days in southern, western trunk-line, and southwestern territories was as follows: southern territory originated 42,161 carloads, of which 15,989 carloads, or 37.9 percent, terminated in official territory; western trunk-line territory originated 45,109 carloads, of which 8,246 carloads, or 18.3 percent, terminated in official territory;

[97] This assumption is not entirely warranted because much less-than-carload traffic moves on rates other than class rates, particularly in southern territory.

southwestern territory originated 22,341 carloads, of which 5,833 carloads, or 26.1 percent, terminated in official territory.

In the States wholly within official territory, more interterritorial traffic is terminated than originated, except tonnage in the statistical group designated under manufactures and miscellaneous. Of the total tons in that group originated in the United States, 58.88 percent originates in the States in which the official classification applies; and of the total tons in that group terminated in the United States, 55.87 percent terminates in those States. Official territory carriers are dependent, therefore, to a very large extent upon the revenues they receive from the class rates in issue and the rates definitely related thereto.

The carriers in official territory argue that the maintenance of higher class rates in other territories than apply within official territory cannot constitute undue preference or prejudice, inasmuch as the railroads that serve official territory do not control the rates applicable within other territories. They do not deny, however, that they are jointly responsible with the railroads in other territories for the maintenance of interterritorial rates.

Trunk line and New England territories.—Much of the evidence and many of the contentions of official territory interests, which included public officers, public authorities, shippers, and shipper organizations in the States of New York, New Jersey, Pennsylvania, Maryland, and Delaware, have previously been discussed. A contention already considered herein is the alleged injury to other sections of the country that may result from a parity of class rates in the South and the North, without a parity of rates on in-bound raw materials in the two territories. It is claimed that such a situation would be unjust because: (1) The South has much lower rates on in-bound raw materials and low-grade freight; (2) equalization of the class rates alone would give the South a preferential rate basis and discriminate against the North; (3) equalization by reduction of the southern class rates would adversely affect the revenue of southern carriers; (4) an increase in the official territory class rates to accomplish uniformity, with no corresponding change in the raw material rates in the South, would result in an increase in rates which move an important part of official territory traffic in order to accomplish a parity which would affect only a very small percentage of the traffic in the South, and at the same time would leave the South with the benefit of its lower raw material rates on a large volume of its traffic.

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We are asked not to ignore the effects that a possible shift of industry from the North to the South might have upon communities and populations of the North, the great consuming territory and market for all territories. Some industries which were for many years of great importance in official territory have already transferred all or a substantial portion, of their operations to the South. The greater part of the textile industry has migrated from the North to the South, leaving New England communities with large portions of their population without employment. New York has also lost many of its textile mills to the South. At one time, the stove manufacturing industry was an important one in New York State, but its operations have greatly diminished; and many companies in that industry have gone out of business, while the stove industry of the South has grown. Industries in New York which have been affected by competition of producers elsewhere are the pipe industry, and the industry manufacturing grey iron products which uses pig iron. Jamestown, N. Y., was formerly a large center for the manufacture of furniture, but such industry in that city has been greatly reduced during the past 20 years, while the furniture industry of the South has grown. In Jamestown, 26 furniture manufacturing concerns have gone out of business during that period. Those still in business there meet competition in the northeastern portion of the United States, their principal market, from manufacturers at North Carolina points. The number of wage earners in the furniture industry decreased 33 percent in the North, compared with an increase of 18 percent for 6 southern States. The wage earners in the stove and other heating- and cooking-appliance industries decreased 21 percent in the North and increased 39 percent in the South during the decade ended in 1939.

Central territory and Wisconsin.—Interests in central territory, which included the States of Ohio, Indiana, Illinois, Michigan, and Wisconsin, and shippers and shipper organizations in those States, contend that the rate uniformity sought herein is not warranted and that this proceeding should be dismissed. They consider the rates in official territory as the most successful in surviving changes in the transportation situation, brought about, principally, by the advent of common and contract motor carriers and the private operation of motor vehicles since the class-rate levels were prescribed.

These interests are of the view that if the intraterritorial class-rate levels in southern, southwestern, and western trunk-line territories are reduced so that the total revenue of the carriers within such territories falls short of meeting their financial needs, any deficiency of revenues should be met by increases in other rates within, or to or from,

such other territories, and not by adjusting divisions of rates to offset such reductions, or by requiring carriers and shippers in official territory to assist in carrying the transportation burden in such other territories.

They contend that, if the present rates are found to be unlawful, interterritorial rates generally should not be determined by applying a percentage to the rates in another territory. Such a method, in their opinion, presupposes the rate maker can start with a class-rate structure which is correct for the lowest-rated territory and increase the scales in such structure by given percentages to produce scales appropriate for other territories; and that it assumes such action allows for, and reflects in the resulting rates, differences in transportation conditions in the respective territories, as well as differences in the part which the class-rate traffic is called upon to bear in contributing to the railroads' required revenues.

In support of their view, they argue that the method described is fallacious because there are several basic rate structures under consideration rather than a single one, and that each territory has its own peculiarities and its own particular problems. In order to meet such conditions the basic structure would have to reflect the conditions which prevail in other territories. Thus, at present, the progression in the western trunk-line scales is maintained for the longer distances at a faster rate than in the eastern scale. This is also true of the so-called "basic" scale used in the western revision to construct interterritorial rates between official and western trunk-line territories. The purpose of the faster rate of progression was to exact from the longer hauls, particularly to and from points in the western part of western trunk-line territory, an adequate measure of revenue and to lessen somewhat the drastic nature of the reductions resulting from the rates prescribed in the western revision.

With respect to interterritorial rates, the central territory States and shippers take the position that such rates should reflect the class-rate levels applicable within the respective territories in proportion to the length of the haul in each territory; and they prefer to use as the formula for such rates the so-called cottonseed formula prescribed in *Cottonseed, Its Products, and Related Products*, 188 I. C. C. 605 (subsequently rescinded in 208 I. C. C. 177, because of the expense and work required to compute distances and rates in accordance with the formula). They contend that if new interterritorial rates are prescribed, the rates should be on the same level in both directions.

Official territory scale.—In the eastern revision (164 I. C. C. 314, at page 393), we said:

> Neither in measure nor in progression has the scale been modeled after the other class-rate scales which we have had occasion to prescribe, but the progression is similar to that of the new western trunk-line scales. It so happens that the first-class rates average about 80 per cent of those in the new western trunk-line scale No. 1, 72 per cent of those in the southern scale, and 66 per cent of the southwestern first-class rates. These percentages are purely fortuitous and should not be regarded as an index of comparative general rate levels or transportation costs as between the various territories. The scale has not been devised with the object of arriving at any particular rate for any given distance or between any given points. It represents our best judgment upon the record before us, giving consideration to the revenue situation, to the character of traffic which moves upon class rates in official territory, and to the characteristics of the general rate structure in that territory. Judged alone by the class rates which exist in other parts of the country, a considerably higher scale would be warranted.

A comparative study and analysis of the construction of various class-rate scales prescribed by us shows that usually they were of a pattern in which the greatest rate of progression was in the first 75 miles. The purpose was to reflect the relatively expensive service furnished by way-freight trains. Beyond 75 miles the progression was at a more moderate rate to reflect the relatively lower cost of through freight service. In the longer reaches of the scales there was a still lower rate of progression for the purpose of permitting traffic to move long distances.

All scales prescribed by us do not by any means always follow this pattern, and even when the general pattern is observed, there are variations as to the distances at which the rates of progression break and in the rates of progression intended to be adapted to the conditions for which the scales have been provided.

The eastern class-rate scale is the lowest intraterritorial scale involved in this proceeding. It was originally prescribed for distances up to 900 miles and later extended to apply for distances up to 1,500 miles. The mileage blocks are in units of 5 miles up to 100 miles, 10 miles between 100 and 240 miles, 20 miles between 240 and 800 miles, and 25 miles between 800 and 1,500 miles. The initial rate in the scale for 5 miles was 30 cents. The progression of the scale, as originally prescribed, was 1 cent and sometimes 2 cents for each 5 miles increase in distance up to 100 miles; between 100 and 240 miles the progression was usually 2 cents but sometimes 1 cent for each 10 miles; and between 240 and 800 miles the progression was usually 2 cents and sometimes 3 cents for each 25 miles. The progression has been somewhat changed by the 10-percent increase in

1938. For distances up to 100 miles, in two instances, the increase for 5 miles has become 3 cents. In other instances, the progression has become 1 cent greater than before the increase of 1938. Between 700 and 800 miles the increase is 11 cents and remains 11 cents for each 100 miles thereafter. The curve of the scale therefore becomes a straight line beyond 700 miles. The following table shows the eastern class-rate scale, as increased in 1938, the percentages of actual increase for each 100 miles, and the successive differences in the percentages of actual increase:

Eastern class-rate scale

Miles	Rate	Actual increase		
		Amount	Percent	Differences [1]
	Cents	Cents		
5	33			
100	62	29	87.9	
200	80	18	29.0	58.9
300	96	16	20.0	9.0
400	109	13	13.5	6.5
500	122	13	11.9	1.6
600	135	13	10.7	1.2
700	149	14	10.4	.3
800	160	11	7.4	[2] 3.0
900	171	11	6.9	.5
1,000	182	11	6.4	.5
1,100	193	11	6.0	.4
1,200	204	11	5.7	.3
1,300	215	11	5.4	.3
1,400	226	11	5.1	.3
1,500	237	11	4.9	.2

[1] Differences in successive percents of actual increase.
[2] Irregularity.

One of the criteria of a smooth progression in a rate scale is that each successive percent of increase in the rate, at each 100-mile interval, for example, shall be less than the one immediately preceding, and also that the differences between successive percents of increase shall not progress in an ascending order. Between 700 and 800 miles the difference in the percents of increase shows an increase instead of a decrease.

Relative earnings.—The relative earnings in the eastern district as indicated by rates of return and operating ratios (freight), have not been as favorable as those in the southern region during the period 1936–43, inclusive, and not as favorable as those in the western district in the years 1942 and 1943, as shown in the following table. The rates of return and operating ratios (freight) are also shown for the Pocahontas region and the regions which compose the western district. The southwestern region corresponds substantially with southwestern territory.

Rate of return based on the net railway operating income and the book investment (increased for cash, materials and supplies) and operating ratio—freight

[The figures shown are percentages]

	1936	1937	1938	1939	1940	1941	1942	1943
Eastern district								
Rate of return	2.67	2.27	1.26	2.34	2.66	3.62	4.99	4.2
Operating ratio, freight	64.95	67.86	68.98	64.83	63.92	63.04	61.93	63.5
Southern region								
Rate of return	2.52	2.35	1.99	2.89	2.87	4.24	6.51	5.7
Operating ratio, freight	65.38	67.77	66.73	64.99	65.34	61.07	56.84	58.4
Pocahontas region								
Rate of return	7.58	6.61	4.54	5.89	6.21	6.67	5.29	4.2
Operating ratio, freight	47.04	50.63	53.39	50.71	49.77	48.12	49.62	52.8
Northwestern region								
Rate of return	2.00	1.90	.86	1.77	2.44	3.62	4.66	4.0
Operating ratio, freight	64.86	66.42	69.05	64.91	61.94	58.93	56.63	60.2
Central western region								
Rate of return	1.81	1.54	1.25	1.67	1.96	3.13	6.14	4.8
Operating ratio, freight	64.97	67.32	65.47	64.23	63.82	62.37	55.56	59.6
Southwestern region								
Rate of return	1.86	1.81	1.08	1.41	1.74	3.52	6.71	5.3
Operating ratio, freight	65.60	66.84	68.22	66.95	65.92	60.85	53.26	57.8
Western district								
Rate of return	1.88	1.71	1.09	1.65	2.06	3.36	5.80	4.7
Operating ratio, freight	65.07	66.93	67.13	65.01	63.63	60.98	55.79	59.6

NOTE.—Source: Statistics of Railways.

WISCONSIN

Separate briefs were filed by the Public Service Commission of Wisconsin and the Wisconsin Manufacturers Association, on behalf of Wisconsin shipping interests generally, and by Green Bay Association of Commerce, on behalf of interests located in Green Bay and De Pere and nearby Wisconsin points, including Oconto, Algona, and Kewaunee and the Door County Peninsula. These interests have joined generally in the general brief filed by the Central Territory Rate Conference, and Green Bay and associated interests have joined in the brief of the Wisconsin commission and Wisconsin Manufacturers Association.

The Wisconsin commission reiterated its belief that there was no such urgency for general changes in the class-rate structures of the country as to justify a general investigation and proceeding of this character, as originally stated in motions previously filed herein, in which it joined, to dismiss the proceeding, or to defer it for the period of the emergency. It does not desire to be understood as advocating general changes in class rates or class-rate structures and would welcome an order deferring any further procedure herein until after the war.

While these parties are not entirely satisfied with the present class-rate adjustment to and from Wisconsin (except as to Illinois Freight Association territory), they do not find such acute dissatisfaction and complaint as would warrant a general revision, or drastic changes, at this time. In the event that we prescribe a general revision of class rates, they urge that Wisconsin rates be considered and treated along with other rates, and that the basic eastern scale should be extended to embrace at least that part of Wisconsin south of a line from Green Bay to the Twin Cities. As to interterritorial rates, they are of the opinion that maximum class rates should be constructed on the cottonseed formula, previously referred to herein.

Wisconsin's economic life depends principally on industry, agriculture, and forestry. Industry has become the most important. In 1909, manufacturing added $686.6 millions of value to the State's raw materials, as compared with a value of $304.5 millions for its products of agriculture, forestry, and fishing. Mechanical and manufacturing occupations accounted for 329,015 workers in 1940, as compared with 275,164 workers in the three other occupations named.

Eliminating Cook County in Illinois, in which Chicago is located, and Wayne County in Michigan, in which Detroit is situated, and Milwaukee County in Wisconsin, in which Milwaukee is located, statistics for 1939 show the following results with respect to the value of manufactured products: Wisconsin, $1,008 millions; Illinois, $1,508 millions; Michigan, $1,629 millions. The comparable figure for Indiana, with her foremost county excluded, was $1,408 millions.

Industrial development in Wisconsin has occurred largely in the southern half of the State, and principally in extended zone C and that part of the State (the southeastern corner) in Illinois territory. We have recognized in previous decisions that industrial activity in these two areas, namely, extended zone C and southeastern Wisconsin, is comparable with that in central territory, and have commented on the favorable traffic and transportation conditions therein. To a lesser degree, industrial activity prevails in southern Wisconsin, particularly south of a line drawn from Green Bay to the Twin Cities. In the latter area are 30 of the 33 Wisconsin cities, each having a population of more than 10,000 persons. This part of the State produces $1,126 millions of the State's $1,138 millions worth of manufactured products.

The term "southern Wisconsin," as used by these proponents, comprises all Wisconsin counties lying principally south of the line of the Chicago & North Western Railway from Green Bay through Wausau to Marshfield, thence the Minneapolis, St. Paul & Sault Ste. Marie Railway through Owen and Chippewa Falls to the Twin Cities, and the adjoining counties of Minnesota and Iowa bordering the Mississippi River. The above-described territory in area, popula-

tion, and industrial development is almost a counterpart of the State of Indiana. The similarity is shown in the following statistics:

	Southern Wisconsin	Indiana
Area, square miles	39,530	36,354
Population (1940)	3,854,280	3,427,796
Urban population [1] (1940)	2,491,033	1,882,711
Manufacturing establishments	8,011	4,327
Wage earners (1939)	245,954	275,467
Industrial wages paid (1939)	$312,485,178	$345,475,310
Value of manufactured products	$2,090,000,000	$2,228,000,000
Value added by manufacture	$883,000,000	$970,000,000

[1] Residing in cities of 10,000 or more persons

The consist of traffic transported by rail to and from Wisconsin compares favorably with that in any of the major rate territories. A comparison of the composition of traffic, made by adopting the division between low and high-grade commodities used in a tentative order prepared by our staff for the purpose of obtaining a traffic test (the traffic test was later abandoned), shows that, during the 3-year period 1938 to 1940, 40.1 percent of the rail tonnage originating in Wisconsin was of the higher grade, as compared with 21.2 percent in the entire country, 29.2 percent in the eastern district, 17.3 percent in the southern region, and 18.1 percent in the western district. With coal and iron ore eliminated, the percentages of high-grade traffic to total traffic are as follows:

	Percent
Wisconsin	44.1
United States	36.2
Eastern district	51.3
Southern region	27.1
Western district	24.4

Measuring the quality of the traffic by all commodities, the respective percentages of total manufactures to total traffic originated during the same period are:

	Percent
Wisconsin	52.0
United States	32.4
Eastern district	38.8
Southern region	30.9
Western district	33.5

Wisconsin is a border State and, in this respect, differs from States more particularly identified with one-rate territory. Unusual problems of class-rate construction are frequently presented in the case of border States. As to Wisconsin, such problems arise particularly in respect of class rates between Wisconsin and official territory, including Illinois territory.

The State is served by western trunk-line railroads, except the west-bank Lake Michigan car-ferry ports, which are the western termini of

certain official territory railroads. The southeastern part of the State is under the jurisdiction of the Illinois Freight Association and is a part of official territory. Class rates to and from this section are constructed the same, and have the same level, as those applying to and from Illinois. The west bank of Lake Michigan, north of Illinois territory, has always been considered as within official territory on traffic moved cross-lake via car-ferry routes.

At present the official classification governs, (1) class rates between Wisconsin and official territory east of the Illinois-Indiana State line in both directions, (2) class rates on Wisconsin intrastate traffic, and (3) between southeastern Wisconsin and Illinois. The western classification applies between Wisconsin and Illinois and between Wisconsin and other portions of western trunk-line territory, except as previously indicated.

The Wisconsin class-rate structure has also been influenced by adjustments made in class rates between Duluth and the Twin Cities and official territory; and the last-mentioned rates have been affected by lake-rail routes and rates, and by the volume and nature of the interterritorial traffic to and from these points.

The contention is made, and it is justified by the facts, that the class-rate structure between Wisconsin and official territory has been and is within the sphere of influence of the official territory rates.

Specific proposals advocated by the Wisconsin interests, in the event there is a general revision of class rates required, are the following:

1. Elimination of the zone C differentials.

2. Extension of the basic official territory boundaries to include west-bank Mississippi River cities from Dubuque, Iowa, to Minneapolis, Minn., and the intermediate territory in Wisconsin and Minnesota on and south of the Minneapolis, St. Paul and Sault Ste. Marie Railway from Minneapolis through Eau Claire and Owen, Wis., to Wausau, and the line of the Chicago and North Western from Wausau through Shawano to Green Bay.

3. If it should be found that traffic and transportation conditions in Wisconsin north of the line described do not justify the same level of rates as in the territory south of the line, there might be provided a system of differentials which would preserve the same form of rate structure and harmonize the rates from both sections of the State.

The above proposals are urged "not for the mere sake of uniformity," but because Wisconsin interests believe that the bases proposed reflect traffic and transportation conditions in the State, and because experience has shown that the official classification and class-rate structure can be fairly, reasonably, and successfully applied to the traffic.

Green Bay.—In 1940, the population of Green Bay and nearby communities, respectively, were as follows: Green Bay, 46,235; De Pere 6,373; Kewaunee, 2,533; Sturgeon Bay, 5,439; and Oconto, 5,2[illegible]. Green Bay is in eastern Wisconsin at the mouth of the Fox River and on Green Bay, an arm of Lake Michigan. It is 112 miles north of Milwaukee, 31 miles west of Manitowoc, and 36 miles northwest of Kewaunee, all car-ferry ports. It is served by the Chicago & North Western, Chicago, Milwaukee, St. Paul & Pacific, and the Green Bay & Western railroads. Green Bay and De Pere have deep draft channels. Six paved highways converge at Green Bay, and approximately 25 common carriers of property by motor vehicle, 8 motorbus lines, and numerous contract carriers by motor vehicle operate from the city in all directions. It is a port of call for 4 large steamship lines and many other carriers by water.

Competition of Green Bay manufacturers is for the most part with manufacturers in official territory. For example, cheese, of which Green Bay is the largest single concentration and shipping center in the United States, is manufactured also in New York State. Cranes, derricks, power shovels, and other machinery is manufactured at Milwaukee, Wis., Chicago, Ill., Lima, Marion and Lorain, Ohio, Erie, Pa., and other official territory points. Manufacturers of canned vegetables, pickles, and fruits at Green Bay, Sturgeon Bay, and Oconto must meet the competition of manufacturers of like articles in Illinois and official territory, as the principal markets are in that territory.

Next to Milwaukee, Green Bay is the largest jobbing and distributing point in the State. Groceries, hardware, produce, building supplies, plumbing supplies, iron and steel, mill supplies, and electrical supplies constitute the principal articles sold. Most of these commodities originate in official or Illinois territory, and Green Bay jobbers must meet the competition of jobbers and wholesalers who are located generally at Milwaukee, Chicago, and Detroit. It is also one of the largest merchandise and bulk storage warehousing points on the Great Lakes.

Class rates and the rates on certain commodities between Green Bay and points in official, Illinois, and western trunk-line territories were prescribed by us in the western revision on the following basis:

Between Green Bay and Ohio and east thereof, except Illinois territory, key-point class rates were established on the level and basis of rates prescribed in the eastern revision, and are governed by the official classification and exceptions. Between Green Bay and points in official territory, west of Ohio, distance rates apply. Zone C was extended to include Green Bay and Wisconsin points south thereof to the northern boundary of Illinois territory, and the zone C arbitraries for the portion of the haul in that zone are included in the rates.

Between trunk-line and New England territories and west-bank Lake Michigan ports, rates were fixed in the eastern revision; later, the carriers voluntarily reduced rates from and to such ports and, at the same time, made similar adjustments in the Green Bay rates.

Between Green Bay and other points in extended zone C territory and Illinois territory, rates were fixed also on the basis of the eastern scale plus zone C arbitraries for that portion of the haul north in extended zone C. The western classification was prescribed on this traffic. Because of differences in the applicable classifications, minimum rate sections in the tariffs, and certain exceptions to the classification are required.

Class rates between points in western trunk-line territory, including Green Bay and other extended zone C points in Wisconsin, were prescribed on a distance basis. Appendix L arbitraries, in the report in the western revision, are added to the basic scale for the portion of the distances traversed in extended zone C territory. Western classification and exceptions apply.

Between Green Bay and southern territory, including the Mississippi Valley, the class rates were prescribed in *Western-Southern Class Rates*, *supra*. They are governed by southern classification, which applies in both directions, and by exceptions to that classification which are applicable from and to Illinois territory and the South. We also prescribed key-point rates on the basis of rates applicable between Illinois and central territory, on the one hand, and southern territory, on the other, increased by the extended zone C arbitraries prescribed in the last-mentioned proceeding for the distance through the latter territory. The rates between Green Bay and points in southwestern territory were prescribed in the southwestern revision, especially the eighth supplemental report, 164 I. C. C. 565. Green Bay is in group 45, under which a 20-cent first-class arbitrary over Milwaukee is added to rates to and from points east of the Neosho-Laredo line, and 11 cents first-class to rates to and from points west of that line. Western classification and exceptions apply in both directions.

Rail-lake-and-rail, rail-and-lake, and lake-and-rail rates between official territory and Green Bay were prescribed by us in *Lake and Rail Class and Commodity Rates*, 205 I. C. C. 101, and supplemental orders. The differential under all-rail rates is 12 cents first class with relative amounts on the lower classes. The rates apply through the ports of Milwaukee and Chicago, and no direct rates to Green Bay Harbor have been established. The lake lines reach the port of Green Bay in connection with their contract-carrier service, but not in connection with common-carrier service.

Green Bay is nearer to Lake Erie and Lake Ontario ports tha Milwaukee, Chicago, and Duluth by 61, 126, and 219 miles, respe tively. The distance via the route through Green Bay figured b rail-lake-and-rail to Minneapolis and St. Paul is 98 miles shorte than via Milwaukee, 243 miles shorter than via Chicago, and 81 mile shorter than via Duluth.

In formulating our conclusions and findings, we are requested t consider specifically the situation prevailing at Green Bay. No sep arate finding dealing with that city individually is requested, becau the findings which have been advocated in the more general briefs ar adequate to cover that situation. If we fail to make the finding sought in the more general briefs, we are requested to recognize th situation at Green Bay by a special finding that the official territor basis of class rates shall be extended to and from that community.

WESTERN TRUNK-LINE TERRITORY SHIPPER INTERESTS

Inasmuch as most of Wisconsin is in western trunk-line territor from the standpoint of interstate class rates, evidence pertainin principally to that State as a whole will be discussed under this titl As explained, the southeastern and eastern portions of the State ar now on the same rate levels as official Illinois territories south an east thereof.

The railroad commissions of every State in western trunk-line terri tory introduced evidence, except Michigan, Colorado, and Wyoming only portions of which States are in that territory. Missouri's evi dence was not introduced for the purpose of showing unlawfulnes in the class rates. Most of the participating State commissions joine in the preparation and presentation of analyses of the ratings in th classifications and classification exceptions. All shipper interest oppose the prescription of minimum class rates; all want the railroad left completely free to meet competition from whatever source. Al oppose changes in their present commodity rates that may be designe to compensate for any readjustment required in class rates.

As indicated in the statement of positions of the parties, all partici pating urge uniformity in classification ratings, except the Wisconsi commission and interests; and all seek class rates based on the easter scale for application throughout western trunk-line territory, an between that and the other territories, except Wisconsin, Missour and Colorado. The fact is emphasized that no railroads terminate a the Mississippi River from south of Twin Cities to north of St. Louis about 500 miles, the greater extent of which is the dividing lin between official-Illinois territories and zone I.

Although not entirely satisfied with the present rate bases, an favoring discontinuance or postponement of the investigation, Wis

consin and Missouri ask that, if we readjust class rates generally, the interstate rates within their States, and between them and official-Illinois territories, be made according to the eastern scale. As to other interterritorial rates, Wisconsin suggests the use of the so-called cottonseed formula, and, secondly, the laminated formula, applied to the rate levels in the respective territories. In fixing the short-line distances to be employed in arriving at interterritorial rates affected thereby, Wisconsin asks that we adhere to our practice of regarding those over car-ferry routes across Lake Michigan the same as over rails. Missouri is of the opinion that cost studies are unreliable, and that the results they produce can play but a minor part in the actual fixing of rates.

Kansas City prefers to retain its present interstate class rates if reductions in them would entail increases in its commodity rates on livestock, grain, coal, and other heavy-loading commodities. It is most interested in preserving its milling industry. It declares that rates cannot be made on costs alone, in disregard of other factors.

Colorado expressed the view that class-rate uniformity on the eastern scale would reduce the revenues of western railroads too drastically. While the Colorado commission suggests no rate level, a large manufacturer of iron and steel articles near Pueblo, Colo., which ships only a small proportion of its products to these western territories on class rates subject to classification ratings, urges the abolition of zone III and the expansion of zone II from the Missouri River to the Rocky Mountains and over the entire Southwest, with a rate level of 130 percent of the eastern scale.

If a uniform rate level cannot be prescribed, South Dakota suggests that the scale for zone I be made no higher than the eastern scale, that those for zones II, III, and IV be graded upward therefrom, and that the scale for zone IV be made not in excess of 130 percent of the eastern scale.[58]

In any event, Topeka and Wichita, Kans., ask that they be accorded the same rate level as may be prescribed for zone I.

Western trunk-line shipper interests request that, if the class rates are reduced, the burden of compensating for the loss in railroad revenues should not be shifted to agricultural products and livestock and products by increasing the commodity rates thereon.

Every western trunk-line State and interest is striving toward greater industrial development, claimed by most of them to be retarded by the existing interstate class-rate structure, but some concede that rates on the eastern scale alone would not accomplish that objective. Much of the territory is sparsely settled, and all is largely agri-

[58] Zone IV, in which the present interstate scale of maximum rates is 115 percent of that for zone III, lies west of the territorial scope of this investigation.

cultural, facts well known and borne out by United States census data. The rural population in 1940 of the west-north-central division, which includes all western trunk-line States except upper Michigan, Wisconsin, Wyoming's Cheyenne corner, and eastern Colorado, was 52 percent of the total population, the percentages in the individual States ranging from 48.2 in Missouri to 79.4 in North Dakota; and in Wisconsin and all Colorado 46.5 and 47.4 percent, respectively.

It appears that some parts of western trunk-line territory are nearing their maximum absorption of population in agricultural pursuits. Therefore, the territorial interests seek to expand their industries and encourage new ones in order to afford employment for growing populations; but these interests disclaim any desire to attract manufacturers now established in official territory. Although the population of the territory as a whole increased slightly, 1940 over 1930, the percentages being 1.7 in the west-north-central division, 8.4 in Wisconsin, and 6.8 in Colorado, percentage decreases occurred in 4 States, namely, 5.7 in North Dakota, 7.2 in South Dakota, 4.5 in Nebraska, and 4.3 in Kansas. In October 1942, North Dakota estimated a further decline in its population of nearly 100,000, or to about 20 percent below 1930. The reasons therefor are the continued unfavorable conditions in agriculture,[99] lack of manufacturing development, no war industries, and the needs of the armed services.

Small or very slight decreases, 1940 under 1930, occurred also in the population of some cities of 25,000 inhabitants, or more, in these States, such as Oshkosh and Superior, Wis., Duluth, Council Bluffs, Iowa, Kansas City, Mo.-Kans., and St. Louis. Of these, Oshkosh and St. Louis already have the official territory basis of class rates to and from that territory.

Manufacturing.—In an investigation like the present one, the relative extent and importance of manufacturing industry in the various territories are entitled to consideration greater than ordinarily warranted, because manufactured products contribute to rail tonnage moving at class rates, much more heavily than do the products that fall in the four other statistical groups of carload commodities.

As one proceeds from official territory westward into western trunk-line territory, manufacturing thins out. The change is less marked in southern Wisconsin, southeastern Minnesota including Twin Cities, in certain parts of Iowa at or near the larger cities, and at cities along the Missouri River through Missouri and from Kansas City to Sioux Falls, S. Dak. Substantial manufacturing takes place also in cities of southeastern Nebraska and eastern Kansas. Official

[99] The value of farm lands and buildings in North Dakota dropped to about 400 million dollars in 1940, representing a loss of approximately 1 billion dollars below that of 1920.

Illinois territories are important sources from which western trunk-line territory manufacturers draw in large quantities many of their supplies of raw materials, semifinished materials, and parts.

While Wisconsin's economic life depends fundamentally on industry and on agriculture and forestry, industry has become of greater importance. In 1939 the value added to raw materials by manufacture was $686,600,000, as compared with $304,500,000 worth of products of agriculture, forestry, and fishing. Wisconsin ranked tenth among all States of the Union in value of manufactured products.

Every county in Iowa has manufacturing; but in a number of them the value of products in 1939 was less than $1,000,000 per county.

North Dakota in 1939 had only 350 manufacturing establishments doing a business of $5,000 or more annually. Those establishments added to the raw materials used, a value of $11,000,000. In only 2 counties, those containing Fargo and Grand Forks, did the wage earners engaged in manufacturing exceed 250. North Dakota is primarily an agricultural State, as shown by the fact, among others, that from 1928 to 1940, inclusive, 82.5 percent of all carloads originated consisted of products of agriculture and animals and products, while its originated manufactures and miscellaneous represented only 8.3 percent. In 1940, the latter group of commodities produced 7,918 carloads originated, about 11 percent of the total number of carloads originated, in contrast with 41,955 carloads terminated, or 44.4 percent of the total terminated.

Nebraska adverts to the manufacturing possibilities of the grain-producing States of the West generally, and of its State particularly. It has provided a research program to find ways and means of utilizing Nebraska's raw materials, especially its grain surplus. The objective is to create employment for the many people now leaving the State for industrial centers elsewhere.

Nebraska seeks no preferential freight-rate treatment in order to insure success of its planned industrial development, but asks for a rate structure that will enable it to reach markets on an equality with competitors. It asserts that freight rates often prove to be artificial barriers that curtail, if not absolutely destroy the possibility of, the establishment of new industries in the State. In envisioning the manufacturing possibilities of the grain-producing States, Nebraska speaks of freight rates in a generic sense, and not specifically of the class rates in issue.

In the following table are set forth certain statistics for 1939 pertaining to manufacturing, in establishments doing an annual business of $5,000 or more, performed in most States of western trunk-line territory compared with States in central territory:

Manufacturing data for 1939

State	Establishments		Wage earners average	Wages [2]	Value of products [2]	Value added by manufactu	
	Number	Index [1]				Amount [2]	Inde
Western trunk-line territory:							
Wisconsin	6,717	92	200,807	$281,947	$1,604,507	690,605	9
Minnesota	4,008	103	79,753	98,887	845,772	310,628	8
Iowa	2,670	82	65,314	73,466	718,532	244,795	8
Missouri	4,796	94	178,538	191,736	1,388,056	567,962	9
Kansas	1,494	80	31,614	36,938	494,354	118,952	7
Nebraska	1,161	80	15,810	20,824	273,525	69,087	7
South Dakota	468	93	5,536	6,036	81,172	19,955	12
North Dakota	350	109	2,639	2,771	43,767	11,102	9
Central territory:							
Illinois	12,980	92	596,478	780,239	4,794,861	2,201,795	9
Indiana	4,337	91	277,467	345,475	2,227,048	970,212	10
Ohio	10,070	90	598,397	812,676	4,584,606	2,125,474	9
Michigan	6,311	113	522,243	780,976	4,348,223	1,708,404	9

[1] Index number, using the year 1925 as 100 to indicate relative increase or decrease.
[2] Stated in thousands of dollars.

The number of wage earners, aggregate wages, value of products and value added by manufacture, in every State listed in the foregoing table, fell sharply in 1935 below 1925, rose in 1937—much more, relatively, in the central territory States than in the western States—and in 1939, in all States declined by varying percentages

The data above and other pertinent evidence indicate that manufacturing in western trunk-line territory, particularly beyond the tier of States bordering the Mississippi River, is not nearly so extensive or diversified as in central territory.

Certain other economic data.—These are based on 1939, except that data for 1940 are used with respect to the first two of the following items. Population and effective buying income were less in western trunk-line than in central territory States. A survey by counties shows that farm income from all sources was greater in southern Wisconsin, southern Minnesota, and Iowa, and less in other parts of western trunk-line territory, than in central territory; that income from farm crops was larger in certain parts of western trunk-line than in central territory, but in no area of similar extent in the former did it exceed that in the north-central portion of Illinois; that income from livestock in Iowa and certain other parts of western trunk-line territory exceeded that in central territory; that income from dairy products (milk, cream, butter, and cheese) was much greater in Wisconsin, and in less degree in southern Minnesota and northern Iowa, than in central territory; that income from poultry and eggs was higher in Iowa and certain other parts of western trunk-line than in central territory; and that volumes of sales in the wholesale and retail trades were much less in western trunk-line than in central territory.

Railroad operating statistics and costs.—Minnesota introduced evidence designed to show that conditions and costs of operations of class

I railroads in its own State and, when aggregated with Iowa, Missouri, and Wisconsin, composing practically all of the eastern section of western trunk-line territory, are more favorable than in the territory's western section and in southwestern territory; and that the costs and some of the operating results in such eastern section and in the northwestern region, which embraces all or parts of the railroads owning most of the section's mileage, are better than in the eastern and western statistical districts as a whole and in the separate regions thereof.

In the following table are set forth some of the figures pertaining to freight traffic for 1941 for the States named and for groups comprising sections of western trunk-line territory, southwestern territory, and the State of Illinois:

Freight traffic for 1941

Territory and State	Average miles of railroad operated	Revenue per ton-mile	Per mile of line	
			Revenue ton-miles	Revenue
		Mills		
Official territory:				
Illinois	9,173	8.77	2,625,722	$23,025
Western trunk-line territory:				
Eastern section:				
Minnesota	8,474	9.39	1,710,457	16,063
Iowa	9,383	9.14	1,158,041	10,587
Missouri	7,203	9.59	1,515,977	14,536
Michigan (Upper Peninsula)	1,530	12.41	642,949	7,980
Wisconsin	6,705	9.73	1,281,275	12,470
Total	33,301	9.51	1,377,080	13,093
Western section:				
North Dakota	5,045	8.67	833,826	7,660
South Dakota	3,994	9.58	944,380	3,492
Nebraska	6,108	8.67	863,836	7,660
Kansas	8,906	9.67	1,136,473	10,993
Colorado	4,527	9.44	994,697	9,391
Total	28,479	9.28	1,006,144	9,341
Southwestern territory:				
Arkansas	4,161	9.71	1,408,223	13,674
Louisiana	4,022	10.21	1,141,988	11,664
Oklahoma	6,610	9.65	853,195	8,230
Texas	15,357	9.82	971,662	9,544
Total	30,150	9.83	1,017,337	10,000

Traffic density figures are affected by the fact that South Dakota, unlike other western States, contains a relatively small amount of the mileage of transcontinental railroads, and by the fact that Iowa has a large proportion of railroad mileage that consists of branch lines over which the traffic moved is relatively light.

Respondents contend that the weight which may be accorded to the Minnesota operating data is diminished greatly by the effect thereon of the heavy tonnage of ore transported for comparatively short distances from the iron ranges of the State to the head of the Lakes.

This principally affects operations in northern Minnesota. Almost 100 percent of the Great Northern Railway's ore tonnage, about 25 million tons in 1941, is handled in Minnesota. Although the enormous ore tonnage, and the relatively small class-rate tonnage, in northern Minnesota is entitled to some consideration along with many other pertinent factors, it cannot be of controlling importance in a class-rate proceeding.

The results set out in the foregoing table indicate that traffic conditions in the eastern section of western trunk-line territory, except upper Michigan, are more favorable than in the territory's western section, and better than in southwestern territory; and that on the whole such western section is somewhat less favored than the Southwest.

Supporting the claim of favorable operating conditions in Minnesota, data for 4 years as to freight and allied services of eight railway systems[1] allocated to the northwestern region are compared with those of the same systems in Minnesota. For 1941, Minnesota's ratios to those of the aggregate of the systems were: Miles of road operated 17.5; operating revenues 21.0; total expenses (operating expenses, taxes, and rents) 19.9; net railway operating income 23.9; revenue ton-miles 20.7; expense per revenue ton-mile 96.1; and average haul 49.9. The average hauls were 255 miles for the entire systems, and 127 miles for Minnesota. Considered from a mileage standpoint freight operating results of these railway systems in Minnesota are better than the average over the entire systems.

A similar claim is made for the section consisting of Minnesota, Iowa, and Wisconsin, composing the greater portion of the eastern part of western trunk-line territory, upper Michigan and Missouri being omitted here. It is supported by freight-traffic returns, combined for the three States, and aggregated for the railroad system referred to in the preceding paragraph, except that the Chicago, Burlington & Quincy Railroad (central-western region railway) is substituted for the Chicago Great Western Railway. The ratios of these States to the whole of the systems for 1941 were: Miles of road operated 37.58; net railway operating income 46.62; carload revenue tons originated 46.51, and terminated 48.99; revenue ton-miles 41.76; average, per mile of line, of revenue tons originated 12[illegible].7, terminated 130.35, and of revenue ton-miles 111.13. The average haul for the systems was 264 miles.

[1] Chicago & North Western Railway, Chicago Great Western Railway, Chicago, Milwaukee, St. Paul & Pacific Railroad, Chicago, St. Paul, Minneapolis & Omaha Railway, Great Northern Railway, Minneapolis & St. Louis Railroad, Minneapolis, St. Paul & Sault Ste. Marie Railway, and Northern Pacific Railway.

Intended to prove that returns on property investment,[2] and operating results of freight and allied services are more favorable in the northwestern region,[3] particularly in Minnesota, than in other regions in the western and eastern districts, data were presented for the years 1939, 1940, and 1941, from which the two following tables have been compiled. Returns on all services do not make as good a showing as for freight alone, for the reason that the passenger-service deficits for the western lines were relatively greater than for the lines in the eastern district.

Rates of return

District, region, or railroads	1939		1940		1941	
	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]
Western district	4.54	2.66	5.15	3.34	7.13	5.53
Northwestern region	4.53	2.69	5.44	3.67	7.26	5.63
Central-western region	4.44	2.65	4.87	3.13	6.60	5.08
Southwestern region	4.85	2.65	5.38	3.29	8.37	6.77
Eastern district	4.69	3.53	5.39	4.06	6.77	5.51
Great Lakes region	4.30	3.19	5.07	3.70	6.86	5.46
Central-eastern region	5.20	3.98	5.91	4.60	6.81	5.65
New England region	3.76	2.70	4.17	2.89	6.21	5.06
Minnesota railroads:						
Trunk lines[3]	7.19	5.19	8.30	6.31	9.52	7.38
Ore roads[4]	12.74	11.64	20.04	18.86	23.33	22.22

[1] Column A, freight and allied services.
[2] Column B, all services.
[3] Chicago & North Western Railway, Chicago Great Western Railway, Chicago, Milwaukee, St. Paul & Pacific Railroad, Chicago, St. Paul, Minneapolis & Omaha Railway, Great Northern Railway, Minneapolis & St. Louis Railroad, Minneapolis, St. Paul & Sault Ste. Marie Railway, and Northern Pacific Railway.
[4] Duluth, Missabe & Iron Range Railway and Duluth, Winnipeg & Pacific Railway.

Freight and allied services, for 1941

District, region, or railroads	Average miles per revenue ton	Averages per revenue ton-mile			
		Revenue	Total operating revenues	Total expenses	Net railway operating income
		Mills	*Mills*	*Mills*	*Mills*
Western district	276	9.46	9.78	7.08	2.70
Northwestern region	215	9.19	9.63	6.77	2.86
Central-western region	366	9.49	9.72	7.19	2.53
Southwestern region	241	9.84	10.18	7.32	2.86
Eastern district	164	9.90	10.25	7.72	2.53
Great Lakes region	172	9.61	9.96	7.53	2.42
Central-eastern region	163	9.62	9.96	7.53	2.43
New England region	130	14.99	15.45	11.08	4.37
Minnesota railroads:					
Trunk lines[1]	127	9.45	9.67	6.48	3.19
Ore roads[2]	78	9.44	10.87	6.57	4.30

[1] Chicago & North Western Railway, Chicago Great Western Railway, Chicago, Milwaukee, St. Paul & Pacific Railroad, Chicago, St. Paul, Minneapolis & Omaha Railway, Great Northern Railway, Minneapolis & St. Louis Railroad, Minneapolis, St. Paul & Sault Ste. Marie Railway, and Northern Pacific Railway.
[2] Duluth, Missabe & Iron Range Railway and Duluth, Winnipeg & Pacific Railway.

[2] The rate-base values on which the returns were computed are said to be the original cost less depreciation, plus present value of land and rights, and working capital, as of January 1, 1940. They were derived from certain data prepared by our Bureau of Valuation and introduced as an exhibit in another proceeding.

[3] Five of the railroads in the northwestern region were either in the hands of receivers, or in process of being taken out of their hands, at the time of hearing.

Emphasis is placed by these interests on the fact that the average freight-service expense per revenue ton-mile is appreciably lower in the northwestern region, and still lower for the eight Minnesota trunk lines, than in the other regions; and this is so as to the Minnesota lines despite their shorter average haul than those of the respective regions. But the net railway operating income per revenue ton-mile in the southwestern region is the same as in the northwestern region.

The strong influence that iron-ore tonnage has upon the freight-traffic statistics for Minnesota is illustrated by the fact that in 1941 for example, the freight revenue received from Minnesota operations by the two ore roads, referred to in the two tables was $33,000,000, whereas for the eight trunk lines named it was $100,000,000. The latter figure includes the iron ore carried in Minnesota, especially the large volume by the Great Northern Railway, 65.1 percent of whose entire system tonnage consisted of products of mines including ore; that of the Northern Pacific Railway was 24.8 percent. While the figures for Minnesota and the northwestern region contain the contribution from ore, the Pocahontas region (heavy coal-carrying lines) is not grouped with the eastern district in the comparisons described, although the Pocahontas region is part of official territory whose class-rate basis is sought by the western trunk-line interests.

Some of the western trunk-line territory interests argue that carload freight traffic should not be burdened with the deficits in passenger-service and in less-than-carload traffic, but that each category should be required to bear its own share of the costs. A similar question was raised in *Revenues in Western District* (1926), 113 I. C. C. 3, but we said, at pages 22–23:

> We do not subscribe to the proposition that where freight rates are producing, on the property devoted to freight service, the rate of return which has been fixed as fair, we can as a matter of law authorize no increases in such rates to correct deficiencies in aggregate earnings growing out of the inability of the passenger business to meet its full share of the revenue burden. The freight and the passenger services are both essential and both may be subjected to reasonable rates and charges to produce the fair aggregate return authorized by law even though thereby a higher rate of return may be exacted from one than from the other.

Topeka.—This city is now in zone II, but is here seeking the zone I basis of rates. It suggests the accomplishment thereof by expanding westward the present boundary of zone I to a line that would pass

through Topeka and Lincoln, Nebr., and extend to Sioux City, Iowa.[4] As so extended, zone I would embrace all or parts of the northeastern 16 counties of Kansas and a portion of eastern Nebraska. No evidence concerning conditions in the latter was offered.

Topeka asserts that the traffic and transportation conditions have changed materially in its favor since the decision in the original report (1930) in the western trunk-line revision, wherein the present zone boundaries were fixed. Its population in 1940 was 91,247, and the county containing it manufactured products in 1939 valued at $29,000,000, or 6.4 percent of the State's total.

Even though average costs of railroad operations in western trunk-line territory may not be much higher than in official territory, Topeka is of the view that higher class rates are justified in the former because of territorial differences in the consist of traffic, in commodity rates, and in carrier needs. Assuming that the class-rate levels are not made uniform in all territories, the laminated formula is suggested for determining interterritorial rates.

Witnesses for Topeka declare that its competitive situation requires that it be placed in the same rate zone as the lower Missouri River cities, and other points in northern Missouri and southern Iowa, in order to insure its continued existence as an important jobbing, manufacturing, and distributing center. In respect to those activities, probably fifth class (37.5 percent of first class) is the important class on carload shipments that move subject to class rates. Topeka contends that a fair average added sum reflected in Topeka's rates, owing to location in zone II, would be the zone II differential on that class for 65 miles, the distance from Kansas City. On that assumption, the added amount would be 3 cents per 100 pounds.

The request for expansion into northeastern Kansas of whatever rate level and classification may be prescribed for southern Iowa and northern Missouri is predicated on a showing of traffic and economic conditions. Such conditions in these areas are claimed to be practically homogeneous. More particularly, the areas are the 16 counties of northeastern Kansas, including Topeka and Kansas City, Kans., the three southern tiers of counties in Iowa, and the counties in northern Missouri, which are subdivided into those north of the Missouri River and those in zone I. The last-mentioned group includes Kansas City and St. Louis.

[4] Specifically, the suggested line would leave the present boundary of zone I at Windsor, Mo., go thence west on Missouri-Kansas-Texas Railroad to Paola, Kans., thence on Missouri Pacific Railroad to Topeka, thence on Union Pacific Railroad to Lincoln, thence on Chicago & North Western Railway to Fremont, Nebr., thence on Chicago, Burlington & Quincy Railroad to Sioux City, where the line would rejoin the present boundary of zone I.

Illustrative of the general situation concerning the groups of counties described are the following:

Sections	Number of counties	Land area		Population (1940)		
		Square miles	Percentage of State	Total (thousands)	Per square mile	Percentage of State
Northeastern Kansas	16	9,060	11	521	57.6	2
Southern Iowa	31	16,023	29	631	39.7	2
Northern Missouri:						
North of Missouri River	44	23,853	34	786	32.7	2
Zone I	62	35,433	51	2,671	75.4	7

Climatic conditions in northeastern Kansas are much like, and altitudes are similar to, those found in southern Iowa and northern Missouri. The topography of the plains of northeastern Kansas is favorable for construction and operation of railroads, which usually run east and west, in that the rivers flow eastwardly and the railroads extend in their valleys, whereas in southern Iowa and northern Missouri the rivers flow generally in a southwardly direction and must be crossed by the railroads.

Based upon the average figures for 1940, the proportion of land in farms was somewhat greater in northeastern Kansas than in northern (zone I) Missouri, but less than in southern Iowa. Southern Iowa exceeded northeastern Kansas in value per farm of land and buildings and of implements and machinery. As to practically all kinds of livestock, the average per farm in southern Iowa generally was greater than in northeastern Kansas; northern Missouri had more horses and mules, and, in several items, the aggregate for southern Iowa and northern Missouri exceeded northeastern Kansas. The situation as to grains was similar to that for livestock. Northeastern Kansas excelled in the production of potatoes, Irish and sweet.

Relative commercial and manufacturing activities in the sections of the three States are indicated in the following table, according to returns for 1935:

[In millions of dollars]

Sections	Retailing sales	Wholesaling sales	Value of manufactures
Northeastern Kansas	113.35	86.21	28[illegible].72
Southern Iowa	135.60	57.17	51.[illegible]
Northern Missouri:			
North of Missouri River	146.39	135.18	134.[illegible]
Zone I	790.70	1,704.11	1,07[illegible].57
Southern Iowa and Missouri zone I combined	926.30	1,761.28	1,18[illegible].[illegible]

In order to prove that the traffic density of northeastern Kansas is heavier than in northern Missouri, the State of Iowa and in other States, the revenue ton-miles per mile of line of the divisions of the

4 railroads [8] operating through Topeka are compared in various ways. Those divisions do not include all of the railroad mileage in the 16 counties of northeastern Kansas. They do include substantial mileage in Kansas outside such counties. Among the comparisons are those for 1925 to 1940, both inclusive, showing that the density on the 4 divisions described averaged 57 percent of the eastern district, whereas northern Missouri and the State of Iowa averaged 52 and 36 percent. The claim that the density is greater in northeastern Kansas than in the whole State of Kansas is based on results for 1926 to 1938, inclusive. For that period, the density on the divisions of the railroads that pass through Topeka was 1,452,818 ton-miles per mile of line compared with 957,441 ton-miles per mile of line of the 4 railroads for all Kansas, and 945,868 ton-miles for all railroads in the State of Kansas. In the first 4 items of the following table are stated the densities adduced by Topeka for 1940, to which have been added the densities on the class I western railroads for certain other States:

Freight traffic densities for 1940

[Revenue ton-miles per mile of line]

Divisions on which Topeka is located	1,370,778
Northern Missouri	1,215,147
State of Iowa	917,472
Eastern district	2,624,236
State of Missouri	1,164,927
State of Nebraska	1,024,209
State of Minnesota	1,343,073
State of Wisconsin	1,028,402
State of Illinois	2,095,143

Wichita.—It is contended on behalf of this city that the Edwards cost studies and the testimony in regard thereto definitely show that a uniform class-rate structure is justified throughout all the territories embraced in this proceeding; and that there must be separate scales of class rates for less-that-carload and carload traffic, because costs on the former are relatively much higher than on the latter. This and other evidence are cited in substantiation of the allegations that the class rates throughout western trunk-line and southwestern territories are unreasonable and unduly prejudicial and preferential of official territory. In particular, such allegations are made respecting Wichita's zone III location.

If territorial rate uniformity is not required, witnesses for Wichita expressed the view that there are compelling reasons for including Wichita in zone I. A new western line first suggested for zone I would

[8] These roads are the Atchison, Topeka & Sante Fe Railway, Chicago, Rock Island & Pacific Railway, Missouri Pacific Railroad, and Union Pacific Railroad. Topeka is on the main lines of these roads, except that it is at the end of a branch line of the Missouri Pacific.

extend in Kansas from the eastern State line immediately west of Joplin, Mo., around to the northern State line at Superior, Nebr.,[6] the effect of which would be to blanket under zone I all of the Kansas portion at present in zone II, and enough more to contain Wichita; but no continuation of the new line was specified beyond the borders of Kansas in order to round out an enlarged zone I. Later, on oral argument, an alternative partial line was offered, namely, a line branching off the present zone I boundary at St. Joseph, and extending over certain railroads through Topeka to Wichita, counsel saying he would leave the line there for us to complete.

Almost all manufactured goods, characterized as railroad revenue-yielding tonnage, produced in Kansas are made in the counties east of a line drawn north and south to include Hutchinson and Wichita. Eastern Kansas, so defined, represents 45.5 percent of the State's land area, but the value of its manufactures was 97.1 percent of the State's total of $168,000,000 in 1939.

Wichita is 200 miles southwest of Kansas City and had a population in 1940 of 143,311. The county containing it produced manufactures in 1939 valued at $57,000,000, or 12.3 percent of the State's total. Wichita relies chiefly upon the business activities of its particular area, comprising four counties of central-eastern Kansas, namely, Butler, Harvey, Marion, and Sedgwick (containing Wichita) to justify the requested change in zone boundary. The counties are west of zone II.

The record contains many comparisons between economic conditions in the western trunk-line zones, in central territory, and in the four counties named which are now in zone III. Most of the territory in those counties would be brought into zone I if that zone were extended to the line first described above. Some of the comparisons are shown on the following table.

Item	Wichita's 4 counties	Western trunk-line territory			Central territory[2]
		Zone I	Zone II	Zone III[1]	
Area in square miles	3,943	168,965	178,936	215,650	181,444
Miles of class I railroads	611	23,190	17,891	9,886	32,141
Population (1940):					
Total (thousand)	215	7,264	5,015	2,008	24,078
Per square mile	54.8	43.0	28.0	9.3	140.1
Per mile of railroad	353.5	313.0	280.0	203.0	749.0
Value of manufactures (1939):					
Total (million)	$93	$2,146	$1,158	$246	$16,257
Per 1,000 of population (thousand)	$433	$295	$230	$122	$674
Per mile of railroad (thousand)	$153	$92	$64	$24	$505

[1] Omits the parts of Colorado and Wyoming in zone III.
[2] Ohio, Indiana, Illinois, lower Michigan, and southeastern counties of Wisconsin.

[6] The western boundary in Kansas suggested for zone I would extend from Joplin on the Missouri-Kansas-Texas Railroad to Columbus, thence on St. Louis-San Francisco Railway through Oswego and Severy to Wichita, thence north on Atchison, Topeka & Santa Fe Railway through Newton to Peabody, thence north on Chicago, Rock Island & Pacific Railway to Lost Springs, thence on Atchison, Topeka & Santa Fe Railway through Detroit, Abilene, Manchester, and Concordia to Superior.

Average figures for the 4 counties as a whole are not far behind those for the 16 northeastern counties of Kansas, previously referred to, in respect of population per square miles, 54.8 as compared with 57.6, or the value of manufactures per 1,000 population, $433,000 as compared with $460,000. Expansion of zone I to include Wichita's 4 counties would draw into that zone 23 additional Kansas counties, other than the northeastern counties now in zone II, of which little mention is made.[6a] In the aggregate, these 27 counties have a population per square mile of 32.3, and a value of manufactures per 1,000 population of $195,000. Both of these figures are much below the averages for zone I as well as for northeastern Kansas, but as compared with the entire western trunk-line zone II they are somewhat higher as to the population figure and lower as to manufactures.

Manifestly, the question of broadening a rate zone to encompass an additional area brings under review the entire area and not a portion only. Although northeastern Kansas compares favorably with present zone I, the same conclusion cannot be reached as to the 27 counties described, or as to the aggregate of such counties and the 16 northeastern Kansas counties. Wichita lies 154 rail miles southwest of Topeka and 51 rail miles north of the Kansas-Oklahoma border, and, with its surroundings, constitutes, in effect, an industrial island in the great expanse of agricultural and plains country, whereas northeastern Kansas adjoins zone I.

Another issue raised by Wichita is whether the continued maintenance of finding 27 in the original report in the southwestern revision as to class rates is necessary and justified. Finding 27 required the removal of the undue prejudice and preference set forth in findings 1 to 11 in the report in that proceeding. So far as concerns undue prejudice and preference between Kansas and Oklahoma, finding 27 is now confined to the comparatively narrow strip of Kansas on and south of a line through Wichita.[7] Wichita claims that finding 27 acts as a bar to its participation in essential competitive rate adjustments peculiar to the needs of western trunk-line territory within which it is located.[8] In view of the *ad interim* findings hereinafter

[6a] These 23 Kansas counties cover a land area of 15,619 square miles. They had a population, in 1940, of 416,217 or only 26.6 per square mile, and in 1939 produced manufactures of 30 million dollars or only 72.4 thousand dollars per 1,000 population.

[7] The line is entirely in Kansas and extends from the Kansas-Missouri border westwardly on the Missouri Pacific Railroad through Fort Scott, Iola, Eureka, and Eldorado to Wichita, thence on the Atchison, Topeka & Santa Fe Railway to Pratt, thence southwestwardly on the Chicago, Rock Island & Pacific Railway to the Kansas-Oklahoma border.

[8] In the twenty-eighth supplemental report (1942) in the southwestern revision, 253 I. C. C. 599, the question of the modification of the findings of undue prejudice and preference was considered. No modification was made with respect to class rates as such, but the provisions of the outstanding order regarding prejudice and preference in that revision, insofar as they apply to rates on commodities on which no specific column or percentage of the first-class rates had been prescribed for general application to, from, and between points in the Southwest, were suspended for the duration of the war and 6 months thereafter, or until the further order of the Commission.

made, modification of finding 27 of the southwestern revision is unnecessary at this time.

SOUTHWESTERN TERRITORY SHIPPER INTERESTS

Interests in the southwestern States of Arkansas, Louisiana (west of the Mississippi River), Oklahoma, and Texas and in Kansas, hereinafter referred to as the Southwest or southwestern States, advocating changes in the class rates are represented by a committee appointed for the purposes of introducing pertinent testimony, conducting cross-examination, and presenting briefs and oral arguments. Their authority was derived from action of the governors, and of the regulatory commissions having jurisdiction of the railroad rates, in the above-named States. The Legislature of Texas specifically directed its attorney general to proceed in the matters concerned.

The evidence presented by the committee is, in character and substance, substantially similar to that introduced on behalf of the Southern Governors' Conference, and, as in the case of the conference, much reliance is placed on the testimony of the witness for the Tennessee Valley Authority, which dealt principally with economic questions heretofore discussed.

As previously stated, the remedy sought by these interests is uniformity of class rates, mile for mile, within the Southwest and between that area and all other rate territories covered by our order of investigation. The specific rate level sought is the eastern scale, extended for distances beyond 1,500 miles at the rate of progression for each additional 100 miles as now used in that scale between 1,400 and 1,500 miles.

Southwestern interests, unlike those in the South, interpose no objection to revision of exception and commodity rates within, to, and from the Southwest on a uniform basis with that in the East, whereas the Southern Governors' Conference insists most emphatically that such rates are not in issue and should not be disturbed in this proceeding. The Southwest agrees that if there is to be uniformity of the rates within and between the various territories, it should be complete and should extend to all kinds or types of rates, except that in a few appropriate situations uniformity may be departed from to meet peculiar and unusual conditions. In their exceptions to the examiners' report in docket No. 28310, they expressed the view that, if the classes they there proposed are established, little or no necessity will remain for the maintenance of commodity rates on particular articles.

Strong representations are made that the economic development of the Southwest has been retarded by the present class-rate structure, and that this alleged condition is one of the principal factors to be taken into consideration in the prescription of reasonable and nondiscriminatory rates.

Committee evidence.—The rate evidence dealing with class rates was presented by a member of the committee. It consists of a comparison of the distance scales of first-class rates prescribed in the several territories, including averages, totals, progressions of scales, and percentage relations of scales; a comparison of specific first-class rates between representative points in official territory and southwestern points with rates for equal distances in official territory; the bridge-scale arbitraries applicable on traffic to and from stations in Arkansas and Louisiana within 170 miles of the Mississippi River, Memphis, and south, in determining maximum rates from and to official and southern territories; traffic to which the bridge-scale arbitraries are applied, moving at rates in certain tariffs from and to southern territory to and from points in Arkansas and Louisiana within 140 miles of the Mississippi River crossings, Memphis, and south; a comparison of the first four classes, intrastate and interstate, in Kansas (which also apply between Arkansas and contiguous points in adjoining States) with prescribed southwestern zone III and official territory scales; the percentage relations of the first-class rates in the tariff naming the preceding rates to those in the southwestern zone III scale; a comparison of the first four classes, intrastate and interstate, in Oklahoma and between Oklahoma points and localities in contiguous States with the southwestern scale; and percentages of first class prescribed by us for application on specified commodities in southwestern and official territories.

The comparisons are similar in many respects to those in appendix 9 They show that the class rates in the Southwest and between the Southwest and other territories are materially higher than those in official territory.

We have referred to the fact that a comparison of first-class rates within or between territories does not, in most instances, reflect the differences between the rates on which the traffic moves. That observation is particularly suitable to the Southwest. The extent to which exceptions have been published within, and to and from, that area is not specifically shown of record, but there is general testimony to the effect that the class rates in issue move only a small proportion of the total traffic. This is supported by the study made by a member of our staff showing the proportions of traffic transported on 1 day in 1942 on class rates, exception rates, and commodity rates. Those propor-

tions have been shown, but as to southwestern traffic they are repeated here for convenience:

Territories	Class rates	Exception rates	Commodity rates
	Percent	*Percent*	*Percent*
Southwestern	2.4	4.4	[illegible]
Official to southwestern	22.5	52.0	[illegible]
Southwestern to official	1.5	3.4	[illegible]
Southern to southwestern	6.1	22.1	[illegible]
Southwestern to southern	1.2	4.3	[illegible]
Western trunk-line to southwestern	13.0	6.2	[illegible]
Southwestern to western trunk-line	2.0	3.0	[illegible]

It will be noted that, on the day mentioned, 95.1 percent of the total traffic transported from southwestern to official territory moved at commodity rates, and that only 1.5 percent moved at class rates, whereas of the total from official to southwestern territory 22.5 percent was transported at class rates, and 25.5 percent at commodity rates. Although the proportions of traffic moved at class, exception, or commodity rates between southwestern territory and other territories vary, a great preponderance of the traffic, except from official territory, moved at commodity rates. The levels of the commodity rates are much below the class-rate levels.

The foregoing description of the rate evidence introduced includes the rate evidence introduced by the committee. Additional rate evidence was introduced by members of the committee, by a witness representing the Fort Worth Freight Bureau, Fort Worth Chamber of Commerce, Texas Cottonseed Crushers' Association, Southwestern Peanut Shellers' Association, West Texas Chamber of Commerce, Freight Rate Equality Federation[9] and by witnesses for Railroad Commission of Texas, Arkansas Rice Traffic Bureau, and El Paso Freight Bureau. Their rate evidence did not deal with the class rates in issue, but with rates on specific commodities which had been established either as exception or commodity rates.

In some instances, commodity rates within the Southwest or from or to the Southwest are lower than the rates on like traffic for equal distances within official territory. The following comparisons are illustrative of this situation:

Sand, gravel, crushed stone, and related articles.—In *Sand, Gravel, Crushed Stone, and Shells*, 155 I. C. C. 247, we prescribed, for application on interstate carload shipments between points in the Southwest, a single-line scale and a joint-line scale for distances up to and including 800 miles. This southwestern single-line scale averaged 90.[illegible]

[9] This federation represents 132 counties in West Texas containing 185 affiliated towns and cities.

percent of the so-called west Penn. single-line scale prescribed in *Pennsylvania Sand & Gravel Producers Assn.* v. *B. & O. R. Co.*, 104 I. C. C. 717, for application from points in western Pennsylvania to destinations in Ohio, West Virginia, and New York; and the prescribed southwestern joint-line scale averaged 94.4 percent of the west Penn. joint-line scale. The prescribed southwestern single-line scale averaged 95.3 percent of the so-called Ohio single-line scale prescribed in *Rates on Crushed Stone, Gravel, Sand, and Slag in Ohio*, 191 I. C. C. 206, for application to destinations in Ohio from certain points in Pennsylvania and from Weirton, W. Va.; but the prescribed southwestern joint-line scale averaged 106.2 percent of the Ohio joint-line scale. However, truck-competitive rates which are much lower than the prescribed scales apply on sand, gravel, crushed stone, and related commodities, from and to many points in the Southwest. The southwestern truck-competitive single-line scale averages only 72 percent of the Ohio single-line scale and 89.1 percent of the west Penn. single-line scale; and the southwestern truck-competitive joint-line scale averages 81.3 percent of the Ohio joint-line scale and 72.5 percent of the west Penn. joint-line scale.

Brick.—The interstate carload rates on brick, and related articles carried in the uniform brick list, between points in the Southwest are based on the single-line and joint-like scales which we prescribed for distances up to and including 1,000 miles in *Southwestern Brick Cases*, 107 I. C. C. 681, decided February 16, 1926, as modified by the subsequent general rate changes. The average rate under the southwestern single-line scale is 83.7 percent of the average rate under the eastern trunk-line single-line scale, and the average rate under the southwestern joint-line scale is 86.8 percent of the average rate under the eastern trunk-line joint-line scale. But the southwestern scales are higher than the central-territory scales, the single-line scale in the Southwest averaging 102.1 percent of the corresponding central territory scale and the southwestern joint-line scale averaging 105.8 percent of the central territory scale for joint-line hauls.

Butter, eggs, and dressed poultry.—In some instances, specific rates within, from, or to the Southwest are lower than the rates for like distances in official territory, but in other instances the reverse is true. For example, the rate from Little Rock, Ark., to Memphis, Tenn., 134 miles, is 29 cents per 100 pounds, while the rate from Wooster, Ohio, to Pittsburgh, Pa., 134 miles, is 34 cents; the rate from Enid, Okla., to St. Louis, Mo., 546 miles, is 54 cents while the rates to New York, N. Y., from Leesburg, Pa., 507 miles, and Linesville, Pa., 546 miles, are 57 and 59 cents, respectively; and the rates to Kansas City, Mo., from Vinita, Okla., 189 miles, and from Clinton, Okla., 404

miles, are 31 and 45 cents, respectively, as compared with rates to Chicago, Ill., of 37 cents from Muncie, Ind., 187 miles, and 48 cents from Bremen, Ohio, 404 miles. But a rate of 54 cents is maintained from Tulsa, Okla., to St. Louis, 425 miles, whereas the rate from Oil City, Pa., to Cincinnati, Ohio, 430 miles, is only 50 cents; a rate of 62 cents applies from Clinton, Okla., to St. Louis, 641 miles, while a rate of only 46 cents is maintained from Mansfield, Ohio, to Chicago, 662 miles; and a rate of 67 cents is in effect from Dallas, Tex., to St. Louis, 707 miles, while a rate of 65 cents applies from Toledo, Ohio, to New York, 701 miles.

Compressed cotton.—The rates from representative origins in the Southwest to representative destinations in official and southwestern territories are generally lower than the rates for like distances in official territory. For example, the rate from Blytheville, Ark., to Chicago, 514 miles, is 47 cents per 100 pounds, minimum 50,000 pounds, while the rate for the same distance in official territory is 60 cents; the rate from Little Rock, Ark., to Houston, Tex., 435 miles, is 40 cents, minimum 65,000 pounds, while the rate for that distance in official territory is 55 cents; and the rate from Oklahoma City, Okla., to Houston, 465 miles, is 40 cents, minimum 65,000 pounds, as compared with a rate of 51 cents for the latter distance in official territory.

Refined petroleum.—Rates from Tulsa to points in western trunk-line territory are lower than rates for like distances from Whiting, Ind., to destinations in official territory. For example, rates on refined petroleum (gasoline), *in packages*, in carloads, from Tulsa are: Twenty-eight cents per 100 pounds to Kansas City, Mo., 244 miles, as compared with a rate of 29 cents from Whiting to Marion, Ohio, 242.6 miles; 36 cents to Omaha, Nebr., 424.8 miles, while a rate of 39 cents is maintained from Whiting to Richardson, Ky., 429.2 miles; 36 cents to Des Moines, Iowa, 452.3 miles, while a rate of 39 cents is in effect from Whiting to Spencer, W. Va., 457.6 miles; and a rate of 46 cents to Minneapolis, Minn., 713.2 miles, as compared with a rate of 48 cents from Whiting to New Berlin, N. Y., 711.2 miles. On refined petroleum (gasoline), *in tank carloads*, the rates from Tulsa range from 4 to 9 cents per 100 pounds less than the rates on the same commodity in packages. The rates from Whiting apply on refined petroleum in any kind of equipment.

Lumber.—Generally, the rates on lumber (hardwood, yellow pine and cyprus) from the Southwest to official territory are somewhat higher than rates for equal distances on like traffic within official territory. In a few instances, however, the interterritorial rates on lumber from the Southwest to official territory are lower than the lumber rates on the basis that applies generally in official territory. For example, from Crossett, Ark., and Tenaha, Tex., to Boston, Mass., and Portland,

Maine, a rate of only 53 cents per 100 pounds is maintained for distances that range from 1,579 to 1,827 miles as compared with rates ranging from 56 to 62 cents for equal distances on the official territory basis of 22.5 percent of the eastern first-class rates.

In addition to the rate evidence, testimony was given by the Governor of Arkansas and several witnesses representing the State of Texas, Louisiana Public Service Commission, Kansas State Geological Survey, Arkansas State Planning Board, and Arkansas Agricultural and Industrial Commission. They described the extensive and varied resources of their respective States, testified to the nonutilization of many of such resources for final manufacture in their respective States, and enumerated what they consider are the economic effects of the absence or deficiency of manufacturing establishments in their States upon the fullest utilization of their natural resources.

The gist of their testimony is that the class rates within the Southwest, and between that area and other portions of the country embraced in this proceeding, have prevented the establishment of manufacturing plants in the former area. Evidence introduced to prove this contention was as follows:

Some time prior to the hearing at which these witnesses testified, a synthetic rubber plant was established at Baton Rouge, La. The only rate available from the plant to official territory on synthetic rubber was on the basis of 50 percent of the class 100 rate in the southern scale, as compared with a rate of 36 percent of the class 100 rate applicable within official territory. Six months elapsed before the latter level of rates was published from the Baton Rouge plant.

The Arkansas State Planning Board is a member of several committees of the South-Central Region of the National Resources Planning Board, which comprises the four southwestern States. A joint board of the above organization found, in a report made in 1942, that the region described, as compared with the United States, has nearly 10 percent of the national population but only 5 percent of the industrial establishments and 3 percent of all the wage earners in manufacturing establishments, and that it paid less than 3 percent of the total wages, and produced only 4 percent by value of all manufactured products.

No industries of any particular moment have been established at El Paso during the past 10 years. Industries in that community have operated in large part under a system of rates that did not contain any differentials for distances in differential territory and which were for the most part not class rates.

The Arkansas Agricultural and Industrial Commission, whose duties include the development and promotion of agriculture and industry in the State, has not had much success in securing the location of manufacturing industries in the State. Its executive director at-

tributed the lack of success to the alleged handicap of unequal freight rates. Contacts made with many large manufacturing concerns had failed to persuade them to locate in the State. None of the industries named offered evidence. Complaint had been made to the witness, the details of which were not disclosed, that canneries within the State are unable to reach the populous centers of the United States because of freight rates. The location of industries in Arkansas which would use raw materials such as agricultural products, products of the forests or of the mines, would not, in his opinion, adversely affect the best interests of other sections of the nation.

A professor of transportation and industry of the University of Texas was engaged by the committee to compare the actual freight charges paid on in-bound and out-bound shipments made in 1 year by five manufacturing companies in Texas with charges computed at rates in effect in official territory for the same distances. His study shows that the charges paid on such shipments were $83,054.62 more than the sum produced by the latter basis. The witness stated that this difference represents the "economic burden" of these manufacturers, and is typical for Texas industries. It also represents what respondents' loss would be on the business of these five shippers, and affords an indication of the losses respondents would sustain if the action sought by advocates of uniformity was required.

One of these concerns, a chili canning company, turned over its capital almst three and one-half times in 1941, made a gross or operating profit of 35.6 percent, and shipped its products in carload and less-than-carload lots to 32 States other than Texas. A cotton-mill company had a capital stock turnover four times in 1941. Its gross profit was 11.5 percent, and the total freight paid, both in-bound and out-bund was less than 5 percent of net sales. In 1941, 54.1 percent of its in-bound raw materials traffic came from official territory, and 34.1 percent of the finished products was shipped to that territory.

A manufacturer of toilet preparations, perfumes, et cetera, had a gross profit in 1941 of approximately $300,000, or about 47.5 percent, representing a capital stock turnover 16 times. The added value produced by manufacture was $300,000 at a labor cost of $8,728. In that year, it distributed its products to 33 States.

Another of the companies is a manufacturer of a bread-making compound whose total sales in 1941 amounted to only $26,000. Its products were shipped to about 70 points in Texas, also to destinations in Oklahoma, Louisiana, Arkansas, Georgia, Florida, Alabama, Mississippi, Michigan, Pennsylvania, Colorado, Iowa, Kansas, New Mexico, Montana, and California. Its administrative salaries were $6,500, or 25 percent of net sales, and wages paid amounted to $2,660, or about 10 percent of net sales.

The fifth concern produces lime. The average freight charges per ton paid in 1939 were slightly less than $3.50. A check of the freight charges computed on the official territory level indicates that the rates used to show the difference between the freight charges on that level and those assessed are not correct.

The witness did not specify what part, if any, of the freight charges assessed on the shipments of the five manufacturers studied were at the class rates here in issue; nor the kind (class, exception, or commodity) of rates published in official territory that were used in the comparisons. Undoubtedly many of the in-bound raw materials, and some of the out-bound finished products such as canned goods and lime, did not move at class rates; and it is unlikely that all the official territory rates were class rates that could be directly affected by the decision in this proceeding. Apparently, the traffic of only these five companies was surveyed, with no attempt to produce a representative cross-section of Texas industries, some of whose freight charges may be lower than those in official territory.

MOUNTAIN-PACIFIC TERRITORY

Rates within, and to and from, mountain-Pacific territory are not in issue in this proceeding, and no evidence was introduced with respect to those rates by any shipper or carrier interests in that territory. However, a representative of the Railroad Commission of the State of California, Arizona Corporation Commission, and Public Service Commission of the State of Nevada appeared at the oral argument. He contended that uniformity is unnecessary and impracticable, and that this is not the time to bring about a general adjustment of the rate structure for the following reasons: The volume and composition of traffic have undergone drastic changes during recent years; many classes of commercial traffic have virtually disappeared; many changes in conditions will occur in various sections of the country upon the termination of the war; there are no available means of determining at this time the character of the rate structure which will be necessary for the future; and the evidence of record is already old.

The establishment of the uniform classification herein found reasonable for the entire country will necessarily make changes in the measure of the class rates on certain articles within, and to and from, mountain-Pacific territory. Whether an investigation concerning class rates within, and to and from, that territory will be necessary in order to apply the uniform classification, and in order to harmonize such class rates with the class rates herein prescribed, will be later determined.

WESTERN RESPONDENTS

Defense of the class rates in the Southwest and western trunk-line territory was assumed by a committee of representatives of class I railroads operating in those territories.

As stated, we prescribed the class rates within the Southwest and western trunk-line territory, and between those and other territories, in a series of investigations extending over many years, the latest of which was concluded in 1939. In the view of these respondents, such rates, having been prescribed by us, are presumptively lawful, and the burden of proof of their unlawfulness is upon those interests which would overturn them. They assert that the principal changes in conditions since 1939, when the western-southern revision was decided, are those brought about by the European war and this country's entrance into World War II, and that these are not changed conditions as we would usually consider the term in examining the lawfulness of a freight rate adjustment.

On the matter of uniformity, western respondents' position is that freight service cannot be sold at a uniform rate throughout the country, and that differences inherent in the economic and transportation needs of the respective rate territories must reflect themselves in freight-rate structures in order to promote the best interests of those territories and to preserve the transportation system. These respondents contend that uniformity in class rates, or in any other type of freight rates, is incompatible with such sharply contrasting differences; and that a more plausible foundation for uniformity would have been laid if proponents could have established that substantial uniformity exists between the territories in the volume and nature of traffic, occupations, products, and other material factors, rather than that pronounced differences prevail. They challenge the accuracy and conclusiveness of the cost studies of record and their usefulness as media to judge the lawfulness of, or to prescribe freight rates on, classes or commodities. In addition, they argue that contentions based on social and economic grounds interposed on this record are not relevant to the issues. Neither we nor any other existing body has, in their opinion, the power to exercise the role of an economic arbiter over the affairs and lives of the nation's people. They declare that the demand for a readjustment of rates at respondents' expense constitutes an effort to persuade us to require railroads to grant a subsidy in order to finance an adventure in experimental sociology, and that such is not our function, citing *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, (1935), 213 I. C. C. 297, and *Interstate Commerce Commission* v. *Diffenbaugh*, 222 U. S. 42.

Respondents do not question the sincerity of the State governors in contending that the class-rate adjustment impedes, handicaps, and obstructs industrial progress and even excludes industry from the Southeast and Southwest, but they point out that, except for a single reference to a creamery by the Governor of Arkansas and generalizations by two employees of the Arkansas State government, there is no proof that freight rates have had any such effects; and that even the four industrial concerns mentioned by one of the above witnesses would have no use for class rates in the movement of their products. None of the large industries, whose failure to locate establishments in Arkansas was attributed by these witnesses to the level of the class rates, appeared at the hearing to confirm their testimony.

Only three commercial witnesses, speaking for individual establishments in the Southwest and western trunk-line territory, testified in this proceeding. These were a steel company at Denver, a manufacturer of coal-washing machinery at Pittsburg, Kans., and a lamp and stove company at Wichita. The representatives of the two manufacturers last named testified that a great preponderance of their products was shipped to official territory, but neither complained that the rate adjustment had discouraged or barred their enterprises from locating where they are. The steel company at Denver uses class rates only to a very limited degree.

There has been greater industrial progress in the Southwest than in western trunk-line territory. In 1929, the two groups of States, combined, received 19.88 percent of the national income of the United States as a whole, excluding mountain-Pacific territory, and in 1941, 19.72 percent. In 1929, the four southwestern States received 5,055 million dollars, or 6.81 percent, of such income; in 1941, their percentage was 7.24, amounting to 5,848 million dollars, an increase of about 800 million dollars. This showing is more favorable than that for the nine western trunk-line States, whose percentage of the same total income dropped from 13.07 in 1929 to 12.48 in 1941. However, the total income of these States increased 400 million dollars.

With respect to the nonfarm portion of the national income, the four southwestern States received 5.82 percent of the United States total, excluding mountain-Pacific territory, in 1929 and 6.21 percent in 1941. The percentages of the total for the western trunk-line States dropped from 9.94 in 1929 to 9.16 in 1941.

The following table shows the number of wage earners in the southwestern, western trunk-line, and official territory States for various years, and the percentage of each group to the total number of wage

earners in the country, as a whole, exclusive of mountain-Pacific territory:

Period	Western trunk-line States		Southwestern States		Official territory States	
	Wage earners	Percent of total [1]	Wage earners	Percent of total [1]	Wage earners	Percent of total [1]
Year 1921	602,752	9.17	229,508	3.49	4,969,884	75.60
Year 1929	771,750	9.30	297,743	3.59	6,102,688	73.54
Year 1933	502,888	8.80	192,885	3.37	4,110,195	71.90
Year 1939	606,817	8.19	282,583	3.54	5,367,779	72.42

[1] Excluding the States in mountain-Pacific territory.

The number of manufacturing establishments decreased in official territory, excluding Virginia and West Virginia 13.14 percent in 1939 as compared with 1921; and the number of such establishments decreased 12.08 percent in western trunk-line territory in the same period, as compared with an increase of 23.65 percent for the four southwestern States. In connection with this showing, it should be borne in mind that the average value of manufactures per establishment is larger in official than in southwestern and western trunk-line territories. In 1939 such average values were as follows: Official, $346,000; southwestern, $256,000; and western trunk-line, $246,000.

The Bluebook of Southern Progress, 1941, a publication devoted to the development and expansion of industry in the southern and southwestern States, lists 45 new industrial plants, and extensions, in 1940 in Arkansas, Louisiana, Oklahoma, and Texas, 32 of these being in Texas.

Analysis of movements of all carload freight on 2 days in 1942, hereinbefore referred to, shows that of the 22,341 carloads of all freight originating in the Southwest on the 2 days, 10,985 carloads, or 49.17 percent, terminated within the territory and 5,833 carloads, or 26.109 percent, were destined to stations in official territory. In the manufactures and miscellaneous group there were 8,954 carloads, representing 40.079 percent of all carloads originating in the Southwest. Of this number, 35.47 percent, or 3,176 carloads, terminated within the Southwest, and 3,477 carloads, or 38.832 percent, were destined to official territory. The latter figure reflects heavy movements of petroleum products from the Southwest. On the 2 days, official territory originated 1,366 carloads of manufactures and miscellaneous for shipment to the Southwest.

On the 2 days studied, 45,109 carloads originated in western trunk-line territory. Of this number, 32,989 carloads, or 73.132 percent of the total, were terminated in that territory; 8,246 carloads, or 18.28 percent, were destined to official territory; 1,167 carloads, or 2.587 per-

cent, to southern territory; 1,527 carloads, or 3.385 percent, to the Southwest; and 820 carloads, or 2.616 percent, to mountain-Pacific territory, Canada, and Mexico. In the manufactures and miscellaneous group, western trunk-line territory originated 2,667 carloads destined to official territory, and the latter originated 3,192 carloads destined to western trunk-line territory.

The western respondents, like respondents in other territories, take the position that although commodity rates and classification exceptions are not in issue, they are indisputably involved, and that the argument for an equality of class rates, if sound, is a valid argument for equality of all other rates, and that, therefore, we are confronted with a question far broader than the limitations of this proceeding.

The western district, which includes both western trunk-line and southwestern territories, as well as mountain-Pacific territory, is distinguished from official territory by dissimilarities in the composition of traffic, in the volume of business, and by other factors. As most railroad statistics are compiled by districts or regions into which the country has been divided for statistical purposes instead of by rate territories, the data are available only for these districts or regions.

In 1941 the western-district class I railroads operated an average of 129,906 miles of road in freight service. This was 56.45 percent of the 230,094 miles operated in the entire country. The western roads originated 36.98 percent of the total tons of carload traffic originated in the United States, excluding the Pocahontas region. The eastern district roads operated 56,377 miles, or 24.50 percent of the total mileage, but they originated 47.40 percent of the total carload traffic originated, excluding the Pocahontas region.

When the composition of traffic originated in the two districts is analyzed, the contrast becomes greater. In comparing traffic data, the figures used are based on those for the year 1941 from which, however, the figures for the Pocahontas region are excluded because the railroads of that region originate an extraordinarily large tonnage of coal. In that year the western district originated 68.82 percent of the total agricultural products originated in the country, as compared with 20.88 percent originated by carriers in the eastern district. This volume of products of agriculture originated in the West was but 6.33 percent of the total of all carload traffic originated in the country.

In the same year the western roads originated 28.06 percent of manufactures and miscellaneous tonnage as compared with 60.66 percent originated by the eastern carriers. A striking contrast in the character of traffic is shown by the fact that the western district railroads originated 68.82 percent of the total tonnage of products of agriculture while the eastern railroads originated 60.66 percent

of the total tonnage of manufactures and miscellaneous. While the difference in these figures is only 8 percentage points, the eastern roads' tonnage of manufactures and miscellaneous is almost three times the tonnage of products of agriculture originated by the western district railroads. The eastern roads' preponderance of high-grade traffic affords a greater source of revenue to them than do the products of agriculture to the western carriers.

In 1941 the western roads originated 63.03 percent of the total tons of animals and products originated in the country, excluding the Pocahontas region, as compared with 28.51 percent originated by eastern roads. While the western roads' percentage is high, the tonnage which it represents was less than 1 percent of the total tons of carload traffic originated in the United States. We have stated (*Livestock—Western District Rates*, 176 I. C. C. 1, 83) that livestock is a commodity which from its nature cannot be expected to do more than pay its own way. In other words, it cannot sustain a rate level which will produce more than the cost of rendering the service plus a minimum of profit.

The western district roads in 1941 originated 58.73 percent of the total tons of products of forests originated in the country as compared with 7.52 percent originated by the eastern roads. The western tonnage is 3.80 percent of such total. This group of commodities is subject to freight rates which are outside of the higher brackets.

In 1941 the western roads originated 33.31 percent of the total tons of products of mines as compared with 49.85 percent originated by the eastern roads. The origination in the West was 17.47 percent of the total originated in the country as compared with 26.14 percent for the eastern district. The figures for the West include iron ore, which is mined almost solely in Minnesota and is hauled for relatively short distances to Lake Superior docks.

Because averages may not always give a true picture of the situation, the western respondents show the tonnages of traffic originated in the individual States of Minnesota, Kansas, Iowa, North Dakota, South Dakota, Nebraska, Oklahoma, and Colorado. These data establish the fact that the several groups of commodities do not originate in equal quantities per mile of line, or per railroad system. In 1941, Minnesota led all the western States, included in this investiagtion, in the volume of products of agriculture originated, but, because of the large tonnage of iron ore, Minnesota's vast agricultural output represented only 9.75 percent of the total tonnage originated in the State. In Kansas, a close second, 46.62 percent of the State's total tonnage consisted of agricultural products. Iowa's percentage in that group was 36.34 percent, North Dakota's 67.40 percent, South Dakota's 58.57 percent, and Nebraska's 48.01 percent. Oklahoma's percentage of the State's total, in

the same group, was 19.87 percent and Colorado's 23.70 percent. Differences of the same nature are shown with respect to the tons originated in the animals and products group.

The 13 States,[10] comprising roughly western trunk-line and southwestern territories, originated a total of 258,735,397 tons of all carload freight, as contrasted with 199,140,599 tons of manufactures and miscellaneous alone which were originated in the eastern district.

In 1940 the ratio to total population, of the rural population in the three western trunk-line zones, excluding the affected parts of Wyoming and Colorado, was 57.4, and of the urban population, 42.6; in the four southwestern States the ratios were 60.2 and 39.8, respectively. Predominance of urban residents existed in none of the southwestern States and only slightly in two of the western trunk-line States, whereas it existed in all but four of the official-territory States.

There is a wide difference between the traffic densities of the eastern and western districts. During the period from 1921 to 1941 the revenue ton-miles per mile of line of eastern-district roads have been more than twice, and in some years three times, those of the western-district roads. In 1921 the former's density was 2,357,040 ton-miles, and that of the latter 829,858. Corresponding figures in 1941 were 3,892,964 and 1,358,041, respectively. During all of the 21-year period the western roads were substantially below the United States average, excluding the Pocahontas lines, while the eastern roads exceeded that average by large amounts.

The western district has a larger proportion of branch-line mileage than any other region or district. The ratios of branch-line mileage to total miles of line are as follows:

	Percent
Eastern district	34
Southern region	25
Western district	39

Of the total railroad mileage abandoned under certificates of convenience and necessity issued by us from 1921 to 1941, inclusive, 54.88 percent of the total, or 14,653 miles, was in the western district. Totals in the East and South were 6,988 and 5,056 miles, respectively.

Testimony was offered by southwestern respondents that traffic tests, which they had introduced in evidence in the southwestern revision, indicated that the intraterritorial and interterritorial class and commodity rates prescribed in the original report in that revision, including a then anticipated reduction from 40 to 37.5 in the class 5 percentage relation to class 1, represented an annual revenue loss of roughly $5,500,000. Additional losses were incurred by the

[10] Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin, Arkansas, Louisiana, Oklahoma, and Texas.

voluntary elimination on August 16, 1941, of the Texas and Oklahoma zone IV differentials and of applying in that zone the zone III rate level. Other reductions also were made by the carriers within the framework of the class-rate adjustment prescribed in the southwestern revision.

Texas intrastate commodity rates.—On commodities that supply 48.99 percent of the total railroad tonnage in Texas, the Texas intrastate rates average 80.4 percent of the rates for equal distances in central territory. On commodities that provide 34.53 percent of the total Texas tonnage, the Texas intrastate rates average 109.7 percent of the central territory rates. The portion of the total Texas tonnage thus represented is 83.52 percent, and on such traffic the Texas intrastate rates average 95 percent of the central territory rates. The witness who introduced in evidence the exhibit from which the comparisons are taken expressed the opinion that the relation of the Texas intrastate rates to the rates in official territory on the remaining 16.48 percent of the Texas tonnage would be approximately the same as the relation of the 83.52 percent of the tonnage included in his study.

Texas intrastate rates are generally lower than (and in other instances the same as) the rates on the same commodities in central territory with respect to the following commodities or commodity groups: Brick (common and face); calves, cattle, goats, hogs, and sheep (stocker or feeder); canned goods; carbon, activated; cotton and linters; cottonseed; cottonseed cake; cottonseed meal; crude sulphur; food preparations; fruits, citrus; fuller's earth; grain, coarse; horses and mules; meat, fresh; nursery stock, dormant; nursery stock, trees, shrubs; oil, cooking vegetable; paper, newsprint; plaster; plasterboard; posts, poles, and piling; rice, rough; pulpwood; road-building materials, including sand, gravel, and crushed stone; scrap iron; tile, drain; potatoes and 20 other fresh or green vegetables; vinegar; and wheat.

The Texas intrastate rates are higher than central territory rates on the following commodities: Acids, muriatic and sulphuric; beer and carbonated beverages; box and crate material; calves, cattle, goats, hogs, and sheep (except stocker or feeder); cement; cheese, in less than carloads; containers, beverage; cotton piece goods; feed, citrus pulp; fertilizer and fertilizer compounds; gas, liquefied petroleum; gasoline; junk, scrap brass, et cetera; kerosene; lime; lumber; oil, crude; oil, lubricating; paper, scrap; parts, plow or cultivator; pipe, cast-iron; pipe, wrought-iron and steel; roofing, prepared; sugar; and tankage.

In preceding cases before us extending over many years the position generally taken by western shipper interests, particularly those in

western trunk-line territory, was that the west-bound rates from official territory were too high to permit jobbers in the West and Southwest to distribute their products in competition with eastern manufacturers. In this proceeding the western interests have shifted their position and now lay emphasis upon the alleged unlawfulness of the east-bound rates. The adoption of the eastern scale for application between official territory and western trunk-line territory and the Southwest would benefit eastern manufacturers because it would reduce the spread now existing between rates from the East and those from western trunk-line and southwestern manufacturing points to a common destination in the last-mentioned territories.

Since 1887, we have made more than 200 reports dealing with class rates within, to, or from western trunk-line territory. Many of these, arising upon complaints of private interests or State commissions, constituted efforts to obtain reduced rates from the East to the West on various manufactured articles. The western and western-southern revisions were the culmination of the foregoing proceedings. In the former there were 18,300 pages of testimony and 1,700 exhibits.

The western trunk-line revision was an outgrowth of Ex Parte No. 87 (Sub-No. 1), in which the western-district carriers had sought increases in their revenues. As a result of our decisions in that revision, the class rates in the eastern portion of western trunk-line territory were increased, but for the extreme distances in the territory the rates were sharply reduced. Thus, the class 100 rate from Chicago to Denver was reduced from 273.5 cents to 254 cents, which by the general increase of 1938 became 279 cents. The interterritorial rates, which usually had been made by combination of certain rates, were reduced, particularly for the long hauls. For example, changes in class 100 rates to Denver were: From Cleveland, Ohio, from 349.5 cents to 289 cents, now 318 cents; New York from 412 cents to 350 cents, now 385 cents; and Boston from 412 to 362 cents, now 398 cents.

The increases granted, particularly on short hauls, have been nullified to a considerable extent by reductions because of motortruck competition. Another result of the western revision was the establishment of the interterritorial key rates prescribed therein on a lower level than would have obtained if the rates between the key points had been based on the distance scales. Thus, reductions in interterritorial rates between key points were even greater than would have resulted from applying the scales; but the key rates are applicable also to and from substantial groups of intermediate points as to many of which such rates are higher than if distance basis of rates were applied to their individual distances.

In the original report in the western trunk-line revision, we prescribed 22 scales lower than class 100, ranging downward from 92.5 to

13 percent thereof, and suggested that future needs for more classes should be anticipated. The present tariffs of western trunk-line railroads provide 86 columns of rates lower than class 100, the lowest being 9 percent. Between points in central and western trunk-line territories, where official classification governs rates east-bound, the railroads have published 122 columns of rates lower than class 100, and where western classification governs west-bound, 110 columns lower than class 100. In the western-southern revision, we required publication of the same 22 columns lower than class 100, but the railroads provided 49 columns south-bound and 46 columns north-bound. Since the original publication 44 additional columns have been established south-bound and 20 additional columns north-bound.

The percentage columns of rates which have been set up within the prescribed rate structures represent: (1) Those we required; (2) those established by the railroads to meet truck competition; and (3) those established for the purpose of working into the rate structure the percentage increases authorized in general revenue proceedings. The latter required, in many instances, intermediate columns.

The Northern Pacific and Great Northern railroads, neither of which is a member of the western trunk-line committee, referred to the fact that years ago class rates between points in Minnesota and North Dakota north and west of the Twin Cities, and points east and south thereof, including official territory, were made by combination of rates based on the Twin Cities, the eastern termini of these northern lines. Sharp reductions occurred in the combinations when they were replaced by the joint rates prescribed in the original report in the western trunk-line revision; but the modifications effected by the sixth supplemental report in that revision raised the rates somewhat, especially for the longer hauls. Although not entirely satisfied with the present class-rate adjustment, these railroads are aware of no circumstances in their territory warranting any basic change therein.

Referring to the proposals herein made by the western trunk-line and southwestern interests advocating changes in the existing rate structures, respondents point out that, except for the proposal for uniformity, essentially the same character of evidence was introduced and the same contentions are made as were before us in the proceedings in which the general revisions of the western trunk-line and southwestern rate structures were made.

An elaborate statistical analysis of economic conditions in selected portions of western trunk-line and central territories was introduced in evidence by respondents. Its purpose was to show that there have not been sufficient changes in such conditions since the western revision to justify the remaking of the zones or leveling of the class rates.

The opposition of the western respondents to the suggested uniformity of class rates may be summarized as follows:

1. The proposal does violence to rules of rate making which have been evolved through decades of experience of this Commission, railroads, and industries.

2. It rests upon false premises.

3. It evades the facts which must underlie any freight-rate adjustment if that adjustment is to have commercial vitality.

4. The suggestion presupposes a country compact and homogeneous throughout its extent, a national commerce of even flow and character, business methods and practices without conflicting interests, and railroad systems which function under identical circumstances and ownership.

5. It involves the merging of unlike things, or the transfer of the peculiar conditions of one section to another section on the fiction that rates need not bear any relation to conditions as they actually exist.

6. It will not accelerate industrial expansion in the West, but, to the extent that "uniformity" is obtained through rate reductions, will admit manufactured products from eastern plants to the West on lower charges and bring revenue losses to these respondents.

7. Such a class-rate readjustment must necessarily exert both direct and indirect influences upon other types of rates, since charges upon high-grade traffic quickly become standards for measuring other rates, and since uniformity in class rates can serve to incite demands for uniformity in other rates.

8. The present intraterritorial and interterritorial class rates were prescribed by us as just, reasonable, and nondiscriminatory under conditions not disturbed by the war, and parties to this proceeding have offered no evidence that such rates have become unjust, unreasonable, or unduly discriminatory by virtue of any pertinent change in conditions. These respondents have reduced many of their charges to levels below the maxima authorized by the publication of classification exceptions or commodity rates, all to the avantage of the public.

MOTOR CARRIERS

Several motor-carrier associations and territorial rate bureaus and conferences introduced evidence. Their interest in this proceeding is to protect motor carriers against a policy of rate making which they consider to be detrimental to them. This policy is said to be the practice of charging noncompetitive traffic of the railroads with operating deficits resulting from noncompensatory rates on rail traffic for which the motor carriers compete. They contend that this policy, if

carried far enough, may eliminate the motor carrier not only from the competitive field, but from the field where it is the economical and efficient agency of transportation.

The motor carriers declare that there are three fields of competitive influence between the railroads and the motor carriers. In the first and largest, where the great preponderance of the traffic and revenues exists, the railroads are the most efficient and economical carrier. The second field is a smaller one and includes the class-rate traffic involved in this proceeding, and is divided between the two types of carriers. In the third field, a still smaller one, which includes less-than-truckload and less-than-carload traffic the motor carriers are said to be the efficient and economical carrier.

They conclude from the Edwards cost studies that many of the existing class rates of the railroads, particularly on less-than-carload traffic, are below marginal cost. Such cost is described as the cost of handling traffic, or a particular class of traffic, which varies more or less directly with the volume of the traffic handled, and is substantially the same as out-of-pocket cost. The motor carriers therefore suggest that separate carload and less-than-carload scales of reasonable class rates be prescribed on bases no less than the compensatory cost of providing the service, surcharged to take into account the fact that the value of the service to class traffic is greater than to any other type of traffic. The term "compensatory cost" is described as the full, distributed cost, including direct, indirect and overhead expenses, charges and deductions from operating revenue or income, and also the return on value.

They advocate further that, in order to preserve competition between carriers, the prescribed maximum rates should be observed as minimum rates, except where lower rates are necessary to enable respondents to meet those of competing carriers of any type, in which case the marginal cost (out-of-pocket cost) of providing the service should be observed as a minimum.

As a permanent adjustment, these motor-carrier interests favor a uniform classification throughout the United States, to apply on both rail and motor-carrier traffic, but before such a classification can be made effective, they insist that a traffic test should be made in order to determine the effect of the new classification upon the revenues of the carriers. At the hearings they presented a plan for a new classification which has been described in part I of this report, but they do not recommend that this plan be adopted prior to the traffic test. They do not believe that a reliable traffic test can be made until after the termination of the war.

As a temporary adjustment, they suggest that the application of the official classification be extended to all of the territory east of the

Mississippi River, which would include southern territory, and that it be made to apply in connection with scales of class rates constructed according to a plan advocated in their brief. This plan would recognize the important elements of a reasonable rate, namely, the cost of providing the service, the value of the service to the particular traffic or shippers involved, and equality of treatment, but none of these elements would constitute the exclusive criterion.

For the purpose of constructing the class-rate scales the motor carriers accept, with some qualifications, as compensatory costs the costs in the Edwards cost studies introduced at the St. Louis hearing. But they consider to be erroneous the treatment according constant expenses in the later Edwards cost studies introduced at the Indianapolis hearing, in which constant costs were distributed over the revenue-producing units of traffic (that is, revenue tons and revenue ton-miles). In their view this distribution wholly ignores not only wide differences in ability to pay and value of service, but large differences in actual service costs. They submit that it is erroneous to distribute costs upon any basis except that of service, and therefore adopt the basis for distributing constant costs used in the original studies introduced at the St. Louis hearing, namely, on the basis of the directly assigned costs. As indicated in the section of this report dealing with the cost studies, we believe the methods used in the later studies more nearly reflect actual costs.

In their computations, the motor carriers made a test to determine if the year 1939 was typical of normal conditions. They did this by applying the unit costs for 1939, as determined by the Edwards cost studies to the traffic of the succeeding years of 1940, 1941, and 1942, when traffic reached all-time peaks. This test showed that aggregate costs for 1939 were within one-half of 1 percent of the aggregate 1940 costs, within 5 percent of the 1941 costs, and within 18 percent of the aggregate 1942 costs. Despite the tremendous increases in traffic in the years after 1939, the 1939 unit costs are shown to be the lowest. They therefore assume that the 1939 costs are typical of normal conditions, since it is quite unlikely under normal conditions that there would be any greater variation than that between 1939 and the immediately succeeding years.

The motor-carrier interveners contend that less-than-carload traffic is being handled not only at a loss when all costs are included, but at an actual out-of-pocket loss. They conclude that different class-rate scales should be prescribed for less-than-carload traffic than for carload traffic. They submit that there is no justification for charging the less-than-carload revenue deficiency to carload traffic, particularly to such essential commodities as coal, grain, farm products and the like.

They also contend that less-than-carload traffic is usually the type of traffic best able to bear its full share of the transportation burden.

The next element considered in the construction of the scales is value of the service, which has always been given greater consideration in the construction of class rates because of the relatively higher value of the articles which move thereunder. In order that this element be evaluated, the motor carriers consider it necessary to consider class-rate traffic as a whole, and commodity-rate traffic as a whole. A correct and permanent evaluation of this element could only be made after a comprehensive analysis of normal traffic flow and movement, and the data for such an analysis could be obtained only by a traffic test.

As previously stated, the official classification is suggested by the motor carriers for temporary application in the area east of the Mississippi River. For the purpose of constructing their proposed class-rate scales to apply temporarily in that area, the value of service element is evaluated by relating the revenues received from class-rated traffic to the full cost of that traffic in official territory. Excess over cost, assuming that carload traffic is being handled at a profit, is treated as the surcharge above cost which inheres in the present carload class rates under the official classification. The computation shows that carload class traffic in official territory produced revenues in 1939 which, including profit, were 136 percent of costs. This percentage is adopted by the motor carriers as indicating the weight given to value of service in the official classification to traffic now moved at class rates under that classification; and also as indicating the weight to be given to that element to traffic hereafter moved in the proposed new eastern-southern territory under such classification.

As motor carriers actively compete with railroads for less-than-carload traffic, it is assumed that the commodity content of railroad less-than-carload traffic is not materially different from the traffic transported by motor carriers. It is also assumed that the commodity content of less-than-carload traffic is substantially the same as that of carload class-rate traffic. Therefore, the same surcharge is used for less-than-carload traffic as determined for movements of carload class-rate traffic.

The next step was to determine the number of class scales necessary to take into account the wide variations in cost due to difference in net load of the car, and to expand into the six primary classes of the official classification the single or composite scale made up of the average line-haul and terminal costs. The average railroad load of 10 tons in 1942 was used as the basis of the less-than-carload scale. Average net loads in 1939 of carload class traffic in both official and

southern territories varied from less than 10 tons to more than 40 tons. Included within these limits are three fairly well-defined and more or less homogeneous weight groups. These are a light-loading group averaging a little in excess of 10 tons per car, a median group slightly in excess of 20 tons per car, and a heavy group averaging about 30 tons per car. The motor carriers suggest three carload scales to include commodities having the average loadings shown:

Scale I. Light-loading commodities, minimum weight between 5 and 15 tons, average load between 8 and 12 tons.

Scale II. Median-loading commodities, minimum weight between 15 and 20 tons, average load between 18 and 22 tons.

Scale III. Heavy-loading commodities, minimum weight of 20 tons or more, average load of over 20 tons.

To arrive at the average or composite revenue per 100 pounds for the average distance on carload class traffic, the motor carriers grouped 39 statistical class carload groups into the three carload weight groups previously described in accordance with their respective average loads in official territory for 1939, showing for each commodity and group the revenues, tons, ton-miles, and average haul, and computed the composite rate and its relation (composite rating) to the actual first-class rate. The service unit costs were then converted into price unit costs, and the resulting less-than-carload and carload line-haul and terminal factors, increased 10 percent for circuity and 36 percent for value of the service, were then expanded into first-class rate factors by dividing by the composite ratings.

A summary of the first-class scales thus arrived at, compared with the eastern and southern first-class rates, is shown in the following table:

Proposed compensatory scales

Miles	Present first-class rates		Proposed first-class rates			
				Carload minimum weight		
	Official	Southern	Less carload	Under 15 tons	15 to 20 tons	Over 20 tons
	Cents	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
10	34	40	116	44	37	28
50	47	57	126	54	45	36
100	62	79	137	65	56	46
150	73	95	149	77	67	55
200	80	112	161	89	79	65
300	95	134	184	113	101	85
400	109	156	208	136	123	105
500	122	173	232	160	145	125
700	149	206	279	207	189	164
900	171	238	326	254	233	204
1,000	182	254	350	278	255	224
1,200	204	286	397	325	300	263
1,400	226	316	445	372	344	303

For the purpose of testing the revenue results of the proposed carload scales, a comparison was made of the 1939 revenues in official and southern territories for the three carload commodity groups set up by the motor carriers with the revenues which would result by applying to such traffic the carload rates under the proposed scales. This comparison shows that in the East there would be gains in revenues of 25.1 percent in scale I commodities, 9.2 percent in scale II commodities, and a loss of 14.3 percent in scale III commodities. The overall gain in the East is shown to be $13,600,000. In the South, there would be a gain of 2.5 percent in scale II commodities, and losses of 1.2 percent and 12.5 percent in scale I and scale III commodities, respectively. The overall result in the South would be a loss of $1,070,000. With respect to less-than-carload traffic, the overall gain in the East would be $104,000,000, and in the South $37,000,000.

The increase in less-than-carload revenues indicated would, in the opinion of the motor carriers, be greater than would be actually realized, it being their conviction that on the basis of motor-carrier costs introduced in other proceedings maximum reasonable rates of motor carriers would be on a lower basis than many of the compensatory class rates which they propose for the railroads; and that this situation would result in the voluntary reduction by the railroads of their rates to the level of reasonable rates based upon truck costs, in order that the railroads could compete with the motor carriers for less-than-carload traffic.

The position of the motor carriers is, however, that to preserve competition and to avoid unjust inequalities, the railroads should not be permitted to depart from the prescribed reasonable compensatory rates, except to the extent necessary to meet the competition of other carriers, rail or motor, and that when there is such departure, they should be required to observe marginal cost scales as minima. They state that it is possible for railroads to reduce class rates to a level at which the motor carrier cannot operate and to make up the deficit resulting from the handling of this traffic by applying higher rates on noncompetitive traffic; and unless the railroads are prevented from going below a minimum basis on the competitive traffic, competition by motor carrier will eventually be eliminated.

They, therefore, suggest so-called marginal scales for carload and less-than-carload traffic, constructed substantially the same as the proposed compensatory scales, and differing only in the following respects: (1) Only the out-of-pocket cost is included in the scale; (2) circuity is taken into consideration, but not the element of value of service; (3) only one class is provided for the marginal scales because they represent the minimum cost of providing service for any

class traffic. The proposed marginal scales are shown in the following table:

Proposed marginal scales

Miles	Less than carload	Carload		
		Under 15 tons	15 to 20 tons	Over 20 tons
	Cents	Cents	Cents	Cents
10	42	12	6	3
30	45	14	7	4
100	48	16	9	5
150	52	19	10	6
200	56	21	11	7
300	63	27	14	9
400	70	32	17	11
500	78	37	20	13
700	93	47	26	17
900	108	57	32	21
1,000	115	62	35	23
1,200	130	73	41	27
1,400	145	83	47	31

With respect to rates in the area west of the Mississippi River, the motor carriers had little to say, except to insist that the rate level there should be higher than in the East.

In order to assure stability in the operations of both types of carriers, the motor carriers strongly urge that the classifications and the rate scales be established concurrently for both rail carriers and motor carriers.

STAFF RATE-STRUCTURE STUDIES

Prior to the first hearing, a study entitled "Some Suggestions for Improvements in Railroad Class Rates," previously referred to in part I, was prepared by a rate specialist on our staff, and was distributed to the public. It was introduced in evidence at the St. Louis hearing, and its author, who at that time was our classification expert, was made available for examination. The study had not been approved by us and reflects only the views of its author. It is not based upon the evidence of record. Suggestions made in the study did not meet with the approval of the parties, except that the suggestion advocating removal of the Florida arbitraries was favored by southern proponents of changes in the class-rate structure. Most of the other suggestions were strongly opposed. We have given consideration to this testimony, and our own views on the matters discussed appear elsewhere herein.

GENERAL CONCLUSIONS AND ULTIMATE FINDINGS

NATURE AND SCOPE OF THE EVIDENCE

Appropriate to the breadth and variety of the interests involved in this proceeding, the record has not been narrowly restricted to rate

comparisons and the competitive and other effects of rates upon particuluar industries or individual shippers, but has been developed within a sufficiently broad perspective to permit us to consider all the essential circumstances and conditions which affect the welfare of carriers, of producers, shippers, and consumers, and of localities, districts, regions, and territories. More specifically, cost of service has been explored and analyzed more comprehensively and thoroughly than in any other similar investigation. Studies and analyses have also been made of the natural resources of the areas concerned and of the growth and development of these areas in terms of agricultural, forest, and mineral production, manufacturing, and distribution of population. Other analyses have dealt with the composition and movement of traffic and with employment, labor, and income.

The record also affords us an opportunity to analyze and appraise the functioning over a period of more than 12 years of different territorial class-rate structures. It enables us also to compare the results of such a test one with another, to check such results with the purposes intended to be accomplished when these rate structures were prescribed, and on the whole to translate into our conclusions all the lessons thus learned by experience.

In the former general class-rate revisions attention centered primarily in the prescription of more uniform adjustments of rates to fit the local conditions prevailing within each of the four major class-rate territories included in the present investigation. The nature and sequence of those proceedings did not permit a simultaneous harmonization or integration of the several intraterritorial class-rate structures.

Each of the above-mentioned intraterritorial revisions represented a marked improvement over the rate situation previously existing, and each of them corrected numerous discriminations that had long existed within the respective territories, and resulted in much more harmonious intraterritorial rate adjustments. In the present investigation the principal emphasis has turned towards the problem of harmonizing the widely differing intraterritorial class-rate structures of the various territories. Cost studies of the character of those introduced into the record in this proceeding were not before us in the former investigations.

RECENT AMENDMENTS OF THE ACT

While the rates in issue in this proceeding are to be tested by all pertinent provisions of the act, it is important to give particular attention to certain amendatory legislation which Congress has recently enacted. By the Transportation Act of 1940, section 3 (1) of the act was amended by the addition of the words "region, district

territory." Coupled with that amendment was a provision designated as section 5 (b) of the amendatory act of 1940. It authorized and directed us to investigate the rates on manufactured products, agricultural commodities, and raw materials between and within classification territories for the purpose of determining whether such rates are unjust and unreasonable or unlawful in any other respect in and of themselves or in their relation to each other, and to enter such orders as may be appropriate for the removal of any unlawfulness found to exist. As previously explained herein, we have advised Congress that it might consider the instant proceeding as an investigation under this special legislation.

Another new provision was attached to the Transportation Act of 1940 and designated as the "National Transportation Policy." In general terms, Congress undertook to express the policy which it had in mind in providing for the regulation of all modes of transportation and required that all provisions of the act shall be administered and enforced with a view of carrying out that policy. One of the declared purposes in this declaration of policy is "to encourage the establishment and maintenance of reasonable charges for transportation services without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices."

Have these amendments to the act added any new inhibitions against discrimination or enlarged the power of the Commission over this subject? In seeking an answer to this question it is pertinent and helpful to review briefly the legislative background of these amendments.

Unjust discrimination in various forms was the principal evil aimed at in the original Act to Regulate Commerce. *Louisville & Nashville R. Co.* v. *United States*, 282 U. S. 740. The major antidiscrimination provisions of the act, sections 2 and 3, were modeled upon the English Railways Act of 1854. *Import Rate Case*, 162 U. S. 197. The United States Supreme Court declared in *The Shreveport* case, 234 U. S. 342, referring particularly to section 3 which had remained unchanged up to that time since its original enactment, that the language "is certainly sweeping enough to embrace all the discriminations of the sort described which it was within the power of Congress to condemn." As originally enacted and as it remained until 1940, section 3 did not in terms specifically prohibit discrimination against a region, district, or territory. It specified, after the amendment of 1935 hereinafter discussed, only a person, company, firm, corporation, association, locality, port, port district, gateway, transit point, or particular description of traffic. The only word in that series that refers to a geographical unit (other than any one of those in the subseries concerning the special subject of ports and other gateways, not

here apposite) is "locality." This word can apply to a region, district, or territory only in a plural sense. When used in that sense, however, the remaining is not as appropriate as that denoted by the more exact words added in 1940, since an aggregation or plurality of localities is not the same thing as a region, district, or territory. The same observation might be made also as to the other objects mentioned in this section—person, company, firm, corporation, or association. Assuming that those words are sufficient to comprehend all shippers and receivers of freight in any given region, district, or territory—and they undoubtedly are—they do not have the same significance as the latter group of words. A region, district, or territory usually imports a definite entity, geographically, economically, and socially, and the word "territory" as applied to rate making has come to have a special meaning of its own, indicating a separate and distinct rate structure. The legislative history of the amendment of 1940 discloses quite clearly that Congress was aware of that special transportation significance.

The amendment of 1935 was the result of a decision of the Supreme Court in *Texas & P. Ry. Co.* v. *United States*, 289 U. S. 627, holding that the word "locality" did not include a port or port district. Congress corrected this deficiency by an act approved August 12, 1935 (49 Stat. L. 607) in which "port, port district, gateway, transit point" were added to section 3 (1). We had occasion to pass upon the effect of this amendment in *Albany Port District Comm.* v. *Ahnapee & W. Ry. Co.*, 219 I. C. C. 151. The Albany Port District, by complaint before us, had contended that the existing adjustment of rates on export, import, coastwise, and intercoastal traffic precluded its development as a port district inasmuch as lower rates on similar traffic applied to and from other north Atlantic ports. The defendants, relying upon the decision of the Supreme Court in *Texas & P. Ry. Co.* v. *United States*, *supra*, and other cases, contended that they could not be held liable for undue prejudice against the port of Albany, the traffic through that port, or shippers of such traffic, because there was no common source of discrimination and because no one carrier or group of carriers could remedy the situation under an alternative order issued in conformity with section 3 (1) of the act. In answer to that contention, we first examined the rate structure which caused the complaint of the Albany Port District and found that it was not a "loose aggregation of separately established rates, but a single entity composed of interrelated rates bound together by the port differentials." Then, after tracing the legislative history of the amendment, we declared that it was intended to cover just such situations. The description of the rates of which the Albany Port District complained—that is, that they are not a loose aggregation of separately established rates but a single entity composed of interrelated rates—is

particularly apropos of the territorial and interterritorial rate structures with which we are concerned in this proceeding.

Considering the breadth of the language used in the amendments here under consideration, the evils sought to be cured by this legislation, the history of the times when the law was amended, as well as the statements of the legislators as to the purposes of the amendments [11]—

[11] The amendment enacted in 1940 to section 3 (1) of the act was contained in a Senate bill designated S. 2009. That bill was reported favorably by the Senate Committee on Interstate Commerce in Report No. 433, 76th Congress, 1st Session, which was presented to the Senate by Chairman Wheeler of that committee on May 16, 1939. At page 11 of that report, the committee stated with respect to section 3 (1): "There has been no substantial change therein, except that the words 'region, district, and territory' appearing in lines 20 and 23 on page 26 have been inserted." In explanation of this amendment, Chairman Wheeler said to the Senate on May 22, 1939: "The previous provision with regard to 'discrimination' simply referred to discrimination as to 'locality, port, port district, gateway, transit point' without specifying the region, district, or territory. So we felt that by broadening the language we would at least take away that excuse, and we would provide expressly that the Commission should not discriminate in its rate structures." (Congressional Record, page 5889, vol. 84, part 6, 76th Congress, 1st Session.)

This bill was debated further in the Senate on May 24, 1939. With respect to another amendment for the removal of rate discriminations between territories that had been proposed by Senator Miller of Arkansas, Chairman Wheeler said: "The amendment, in my judgment, would not do what the Senator from Arkansas wants to do with reference to discrimination. Let me say to the Senator that the amendments we have already put into the bill go much further toward accomplishing the purpose the Senator has in mind than would this amendment. I am in thorough accord with the statements made by the Senator from Arkansas with reference to discriminations. I think they ought to be stopped, and if the Commission pursues the investigation and follows what we have laid down in this bill, many of the discriminations between territories will be eliminated. A great many are absolutely arbitrary, and it seems to me without any justification." (Congressional Record, pages 6071 and 6072, vol. 84, part 6.) Thereupon Senator George commented as follows: "I am glad to hear the distinguished Senator make that statement, because it seems to me to be more important, and I dare say it is more important as the coming days of the Congress must demonstrate, that we establish just and nondiscriminatory rates between the various regions than to continue even a rate that may not be justified in a particular region." On the same page of the Record (6072) is found this question directed by Senator George to Senator Wheeler with respect to the amendment of section 3 (1) of the act: "The Senator thinks that it will make toward the equalization of rates in the various regions?" To this question, Senator Wheeler replied: "I do not think there is any doubt about that at all, because that is the purpose of the bill; it is the intention of the bill."

This bill (S. 2009) passed the Senate on May 25, 1939, and was sent to the House. After consideration of the bill by the House Committee on Interstate and Foreign Commerce, Chairman Lea of that committee reported it to the House without appreciable change in the amendment to section 3 (1) of the act that had been approved by the Senate. With reference to this amendment and the provision coupled with it (known in the House as the Ramspeck resolution) which directed us to investigate interterritorial and intraterritorial rates, Chairman Lea said to the House on July 21, 1939: "Now I want to refer for a moment to the Ramspeck resolution. That is embodied in this bill. It directs the Interstate Commerce Commission to make an investigation of certain freight differentials, and then to make the orders that are necessary to remove the unlawfulness of rates found to be unlawful. It further provides, in the provisions prohibiting discriminations, the protection of territories and districts. In my judgment that resolution is directed at what is one of the most important situations in rate structure. It points to a place in our rate structure where the greatest opportunity to help our transportation system on an economic basis lies. The correction of that condition would serve the interests of shippers and carriers alike." (Congressional Record, page 9705, vol. 18, part 9, 76th Congress, 1st Session.)

On July 26, 1939, the House passed this bill as amended, and sent it to conference with the Senate. After the conference report had been adopted by the Senate, Senator Hill, Chairman of a subcommittee that had held hearings on the measure, stated to the Senate

all proper aids of statutory interpretation—it is clear that the main purpose which Congress had in mind was to bring about a greater degree of equalization, harmony, and uniformity in the different regional or territorial rate structures of the country. The method employed to accomplish this purpose is equally plain. By the amendment to the substantive antidiscrimination provisions of section 3 (1) all discriminations in the form of undue or unreasonable preference or advantage, or undue or unreasonable prejudice or disadvantage, as between regions, districts, or territories, viewed as separate entities, were brought directly within the purview of the act along with all the other inhibitions previously included. We were then authorized and directed by the other provisions mentioned to remove any such discriminations found to exist in a proper proceeding. This means that such discriminations as those mentioned which result from differences in the methods of distributing the general rate burden in the several rate-making territories, or from any other cause, if not justified upon proper consideration of recognized elements of rate making applied in the light of the amended law are unlawful and should be corrected.

COSTS OF SERVICE GENERALLY

Since the inception of Federal regulation of common carriers cost of service has been recognized as one of the basic elements entering into the process of making and judging rates. It has never been out of mind even though it has not always been in sight. *Lake Cargo Coal Rates, 1925*, 101 I. C. C. 513. The reality of costs in the rendition of transportation service is indisputable. The problem, from the standpoint of rate making and rate regulation, is to convert such costs into practicable and usable terms. Cost finding as applied to common carriers has been and still is a progressive science. The carriers have never installed or observed, because of the expense involved, a system of routine cost accounting. All cost calculations and computations, therefore, of necessity must be made by special studies. In making these studies the data afforded by the carriers' records, which are kept in accordance with our prescribed system of accounting, have been used as a base, but this material has generally been supplemented and

on September 9, 1940, with respect to the amendments here considered: "Under these amendments any undue or unreasonable preference or advantage of one region, district, or territory over another region, district, or territory is made unlawful and prohibited and the Interstate Commerce Commission is directed to investigate immediately and upon finding such undue or unreasonable preference or advantage to exist to enter such orders as may be necessary for the removal of same. Under these amendments now to become the law of the land the unjust and unfair discriminations between sections in freight rates should be removed and all sections of our country permitted to enjoy that development and prosperity to which the character and genius of their people and their natural resources entitle them." (Congressional Record, page 5553, appendix, vol. 86, part 17, 76th Congress, 3rd Session.)

reinforced by such special information and field investigations as the necessities in each case have required. Pursuit of this method of cost finding over the years has enabled us, with the assistance of the carriers, shippers, and other students of the subject, to make extensive progress in this field. While perfection has not been attained, we are convinced that the studies made and presented by members of our staff as evidence in this proceeding possess sufficient attributes of accuracy to enable us to rely upon them in reaching our conclusions. Respondents have not supplied us with any better ones, although they have, through their criticisms and suggestions, enabled us to make a better analysis and appraisal of those introduced by members of our own staff.

There are different degrees of refinement in costs depending upon the purposes for which the costs are intended. The ascertainment of the costs of transporting a particular commodity over a single railroad or a group of roads, for instance, obviously requires more refinement in procedure than the calculation of relative costs for transporting all traffic, or important and well-defined segments of traffic, by territorial groups of carriers. It is the latter type of cost computation that we now have before us. The methods employed, the procedures followed, and the results obtained have been previously explained and discussed.

Discretion and flexibility of judgment within reasonable limits have always attended the use of costs in the making of rates. Costs alone do not determine the maximum limits of rates. Neither do they control the contours of rate scales or fix the relations between rates or between rate scales. Other factors along with costs must be considered and given due weight in these aspects of rate making. Out-of-pocket costs, however, should ordinarily establish the floor of all rates. Rates yielding merely out-of-pocket costs have been condemned as being less than reasonable minima. *Freight, All Kinds, Lincoln, Omaha, and Nebraska Points*, 32 M. C. C. 339; *Petroleum from South Atlantic Ports to Southeast*, 245 I. C. C. 23; *All Freight from Eastern Ports to the South*, 251 I. C. C. 361. Rates which yield something more than out-of-pocket costs have also been found to be less than reasonable minima. *Petroleum Between Washington, Oregon, Idaho, Montana*, 234 I. C. C. 609; order sustained, *Scandrett* v. *United States*, 32 Fed. Supp. 905, *Scandrett* v. *United States*, 312 U. S. 661.

Moreover, it has long been recognized that it is unwise from the standpoint of both shippers and carriers to attempt to reflect in any rate schedule or rate structure all the minute and unsubstantial variations in the costs of service that occur on different divisions or segments of the same railroad or between individual railroads or groups of railroads. The tendency has been, rather, to deal with average costs in

such manner as to avoid needless rate variations and to permit the freest possible movement of traffic. We recognized this principle very early in our existence. *In re Proposed Advances in Freight Rates*, 9 I. C. C. 382; *City of Spokane* v. *Northern Pac. Ry. Co.*, 15 I. C. C. 376; *Kindel* v. *New York, N. H. & H. R. Co.*, 15 I. C. C. 555; *Receivers & Shippers Assn.* v. *C., N. O. & T. P. Ry. Co.*, 18 I. C. C. 440; *Commercial Club, Salt Lake City* v. *A., T. & S. F. Ry. Co.*, 19 I. C. C. 218; *Advance in Rates—Eastern Case*, 20 I. C. C. 243; *Lum* v. *Great Northern Ry.*, 33 I. C. C. 541, and have followed it ever since. The rule of rate making embodied in section 15a of the act emphasizes and accentuates the importance of this principle.

Applying the foregoing principles to the issues in this proceeding, there is no doubt that, based on cost of service considerations, the differences in levels, schemes, and progressions of scales that at present occur in the several territorial class-rate structures here under review are not justified.

CONSISTS OF TRAFFIC AND DISTRIBUTION OF GENERAL RATE BURDEN

Respondents' principal argument against a uniform level of class rates in the rate-making territories here under consideration is that the consists of traffic in the several territories, particularly in southern, southwestern, and western trunk-line, as compared to official, are so substantially dissimilar and variant that separate schemes of rates with different distributions of the general rate burden as between commodities and classes of traffic must prevail; and that, because of the greater percentage of high-grade traffic moving in official territory a lower and different system of class rates is justified in that territory than in the others. These contentions and the evidence relied upon to support them have heretofore been discussed. It is only necessary here to state our final conclusions.

When analyzed in detail there are many more differences in the consists of traffic in these respective territories than when basic commodity groups, such as those used by us in the compilation of traffic statistics, are considered. Mere differences in the nomenclature or commercial characteristics of commodities, however, are of little significance in the determination of this question. The problem is primarily one of providing adequate revenues for the carriers from the traffic which they transport. It is, therefore, the revenue-producing qualities, or rate-bearing characteristics, of the commodities which compose the commerce of these territories that constitute the governing factor in this situation. The fact that phosphate rock moves regularly in substantial volume by railroad in southern territory while moving only sporadically and in small quantities in each of the other territo

ries, for instance, means little or nothing if some other commodity or commodities with equal revenue-producing potentialities are at hand to take the place of it in the general rate structure of the other territories. Furthermore, a large and increasing volume of traffic flows across territorial boundaries and thus becomes common to two or more territories. When analyzed in this light, the differences that exist in the consists of traffic in these respective territories are not so substantial or of such character as to warrant the present differences in class rates.

The record discloses that the class rates are substantially higher in southern, southwestern, and western trunk-line territories than in official territory, and that the interterritorial class rates between official and the other territories are substantially higher than those in official territory. These differences have resulted in a greatly diminished use of class rates and the establishment of numerous exceptions to the classifications, together with column and commodity rates, on a lower level than class rates. The great preponderance of traffic now moves on the exception, column, and commodity rates.

A study of the movement of all carload traffic transported on September 23, 1942, and of the revenue received therefrom affords an indication of the relative importance of the traffic moving on the several kinds of rates. In the United States, as a whole, class rates were applied on 4.1 percent of the carloads and produced 6.3 percent of the revenue; exception rates were applied on 10.7 percent of the carloads, and produced 16.1 percent of the revenue; commodity rates applied on 85.2 percent of the carloads and produced 77.6 percent of the revenue. Within the respective territories, class rates applied on 5.8 percent of the carloads in official territory, 1.8 percent in southern, 0.6 percent in western trunk-line, and 2.4 percent in southwestern. On interterritorial traffic from official territory to the other territories, the volume of movement at class rates ranged from 12.3 to 22.5 percent of the carloads. From the other territories to official territory, the movement at class rates ranged from 0.9 percent to 3.1 percent of the carloads.

Although manufacturing has grown in the South and Southwest and to a lesser extent in western trunk-line territory in the last decade, it is still vastly less in diversification and amount than in official territory. The increases in manufacturing in these territories has created a demand for rates which will at once permit the free movement of the manufactured articles, but because of the level of the intraterritorial and interterritorial class rates, such free movement has been impeded insofar as such commodities move at class rates. In most instances it has been necessary either to reduce the class-rate levels or to establish exception or commodity rates in order that the manufactured products may move freely, and this action has frequently been subject to long

delays because of the failure of individual carriers or groups of carriers to agree upon a basis.

Official territory is the greatest consuming territory in the country, and is the market that nearly all manufacturers desire to reach, particularly where they have a surplus of their products to sell. In shipping to official territory, manufacturers in the other territories not only have the disadvantage of location, but are subjected to an additional burden in those instances where they must pay class rates on a much higher level than their competitors in official territory. This situation reacts to the disadvantage of manufacturers in the other territories, and to the advantage of those in official territory, tends to restrict the growth and expansion of the manufacturers in the other territories, and, to some extent, to prevent the establishment of new manufacturing plants in those territories.

It is clear that the method of distribution of the rate burden between types of traffic now observed in southern, southwestern, and western trunk-line territories has resulted in rates so high that they have prevented the free movement of traffic at the rates in issue. This result is fully proved by the fact that numerous lower exception and commodity rates which move the great preponderance of the traffic and produce the great preponderance of the revenues in those territories, have been established.

One of the principal contentions of southern and western respondents, and of certain industrial interests, is that the establishment of the eastern level of class rates in the South and West will require upward revisions of exception, column, and commodity rates in order that the railroads may recoup revenue lost from the reduced class rates. They show that many of the exception and column rates in the South and West are higher than the eastern level of class rates, and contend that establishment of the eastern class-rate level in those territories would require reductions of those exception and column rates which are higher than the eastern class rates, thereby further reducing respondents' revenues. These contentions are directed against the establishment of the eastern class-rate level in the other territories but are not an answer to the claim that the differences between the intraterritorial and interterritorial class rates in and between the several territories are not justified by transportation conditions. Considerations of costs of service, consists of the traffic, distribution of the rate burden, and other factors usually given weight in determining lawful rates justify the conclusion that the class rates within southern, southwestern, and western trunk-line territories, and between those territories and official territory are unjust and unreasonable, and that the class rates to official territory from the other territories are

unduly prejudicial to such other territories and unduly preferential of official territory.

COSTS OF LESS-THAN-CARLOAD SERVICE

There is another question in this proceeding concerning less-than-carload rates in all territories and between such territories in connection with which costs must be specially considered. It has been alleged by the motor-carrier interveners that the cost studies clearly demonstrate the failure of this category of rates to cover their fair share of the burden of transportation. At the present time, the same set of class rates is applicable both to carload and less-than-carload shipments, the classification being used as the means of effectuating rate differentiations between the two types of shipments. Since the prescription of these rates, the railroads have generally inaugurated pick-up and delivery service at terminals, which has augmented the costs of less-than-carload transportation. The record permits us to compare the weighted-average less-than-carload rates, as well as individual less-than-carload scales, with the computed costs for this traffic. The railroads generally load and unload less-than-carload traffic and this entails an expense not assumed in connection with carload traffic. One of the results of this method of handling less-than-carload shipments, however, is to mix freight of different classes in the same railroad car for transportation purposes, so that the costs are generally a composite of all classes of less-than-carload freight rather than a separately ascertainable figure for each commodity. The weighted-average rate is, therefore, the best criterion for judging the sufficiency of the less-than-carload rates in the light of the costs. Such an analysis unmistakably reveals the fact that less-than-carload traffic generally in all the territories is not bearing its proper share of the costs of transportation—in fact, excluding wartime loading, it is not yielding, on the average, its out-of-pocket costs plus constant expenses solely related to this traffic, plus the cost of collection and delivery, in any territory except possibly in the southern where the margin of difference between revenues and these expenses is slight.

RATE AND REVENUE COMPARISONS

Many comparisons of rates and rate levels have been made in the record before us. In some of these comparisons an attempt has been made to measure the average levels of the several territorial class-rate structures. Others have dealt with particular rate schedules; but much stress has been placed upon comparisons of average levels. Comparisons of this nature, although important as steps in the process of gaging the general effect of rate structures upon the economy of a region or territory, and upon the total revenues of the carriers, do

not furnish adequate answers to complaints of individual shipper and receivers of freight. The latter are necessarily interested in th competitive problems growing out of the relations of individual rate upon the same or similar commodities, and the law recognizes such a interest. This evidence discloses extensive, widespread, and varyin differences in the several territorial class-rate structures. The differ ences in the class rates themselves, however, are greater than the aver age differences in the rate structures as a whole, or than the averag differences in class rates, exception rates, and column rates taken to gether. The basic class-rate scales not only differ in level but also i their rates of progression with distance. There are also disparities an variations in the percentage relations between the scales.

The origin of the foregoing condition as it relates to interterritori as contrasted with intraterritorial rates may be explained by a stud of our previous decisions in which the several territorial class-ra structures were prescribed. Prior to the dates of those revision there was a general miscellany of class rates prevailing within eac territory as well as extensive differences, on the average, between th territories. Those decisions resulted in the prescription of intr territorial class-rate structures that exhibited a marked and previousl unattained degree of uniformity and consistency. They failed, ho ever, to effectuate uniformity as between the territories. As a resu of this incongruous situation, the interterritorial rates could not b properly harmonized with the intraterritorial rate structures. Inte territorial shippers using class rates are thus adversely affected, pa ticularly when they ship into official territory where the greate disparities between interterritorial and intraterritorial rates exi The record indicates a distinct probability of continuing growth interterritorial traffic as a result of changes in the economic patte of the country. All territories are experiencing an industrial growt This fact emphasizes the need for properly adjusted interterritori class rates.

PURPOSES OF A CLASS-RATE SYSTEM; DEPARTURES THEREFROM IN PRESENT CLASS RA

One of the expressed purposes in view in the prescription of the cla rates in the several territories here involved was to provide class-ra systems that would actually move a substantial volume of traffic a not merely sporadic shipments of miscellaneous freight. In oth words, it was felt that the proper function of a system of class ra was to serve not merely as a pattern or as points of departure f rates generally, but to take care of the needs of shippers for reasona and nondiscriminatory rates on an important class of traffic. T evidence before use, however, indicates that in most of the territories namely, in southern, southwestern, and western trunk-line—the

purposes have not been accomplished. The same thing is true in large measure of interterritorial class rates although, percentagewise, the interterritorial class rates accommodate more traffic than the intraterritorial class rates. This situation is not true to the same extent in official territory. The system of class rates in that territory has served a relatively large volume of traffic.

The record reveals the fact that departures from the bases of class rates prescribed by us, particularly in all territories other than official, and between territories, have become widespread. One phase of these departures has taken the form of exception rates, all-commodity rates; and mixture rules which have, to a considerable degree, supplanted the application of the regular class rates. Another form of departure has centered in changes in the class-rate scales themselves for intrastate application. In some instances, the level of these intrastate rates now approach, or even equal, the official territory level. The reduced class rates are occasionally limited to apply only on less-than-carload traffic. We have also prescribed or approved reductions in the original interstate level of class rates. Instances of this kind are to be found immediately south of the border between official and southern territories in Kentucky, east Tennessee, and North Carolina. The southern carriers have voluntarily reduced in recent years, the class rates in that territory for distances from 5 to approximately 190 miles. The departures in western trunk-line and southwestern territories are more prevalent than in the South.

All the foregoing facts of record indicate that the class-rate systems originally prescribed by us in these several territories do not now serve the purposes for which they were designed.

An over-all disparity has also resulted from these changes in that while the intraterritorial structures have been disrupted by reductions in the scales themselves, the interterritorial class rates have been left on a basis, which is higher, in many instances, than the class rates in either territory of origin or the territory of destination, and the interterritorial class rates apply to a higher percent of the total interterritorial traffic than the percent of intraterritorial traffic moving on class rates.

EFFECT OF CLASS RATE DISPARITIES ON ATTAINMENT OF CLASSIFICATION UNIFORMITY

The class-rate system is not complete without a freight classification. The desirability of greater classification uniformity is elsewhere discussed in our report in this proceeding. In our annual report for 1931, however, we called attention, at page 67, to one of the deterrents against the attainment of classification uniformity which is of interest in connection with our consideration of the class-rate structures. We there said:

Further study of the subject of classification uniformity and the experien which we have gained in recent years in fixing class rates make it increasing apparent that, while complete unification and merger of the southern and we ern classifications is possible, such unification cannot be fully extended to e brace the official classification unless and until there is a closer alignment of t basic rate structures as between official territory and the other sections of t country than it has so far been found practicable to accomplish, although r visions heretofore required by us have been in that direction.

The force of that comment is apparent. A satisfactory degree classification uniformity cannot be attained without a closer alin ment of the basic class-rate structures.

SHORT- OR WEAK-LINE ARBITRARIES AND RAIL AND WATER RATES

It has been the custom heretofore to permit arbitraries to be add to the basic rates for the benefit of short or weak lines of railroa but in only one or two instances has a request been made on this reco for the continuation of such arbitraries. The evidence is therefo insufficient to enable us to determine the general question of ar traries of this character. Rail-and-water rates are also technical included in this investigation, but at the present time the commo carrier water service along the coast has been suspended on account the exigencies of the war. For that reason we have not had the o portunity to hear from the water lines concerning their future inter in such rates. Both of these matters, therefore, will be reserved f later consideration.

KEY POINT RATES

In all of the general class rate revisions since the southern revisi we have prescribed key rates for the longer distances and have required a rigid application of the scales or formulas adopted. scales and formulas based on short-line mileages result in fourth-s tion departures over reasonably direct and heavily traveled rou The present key class rates were designed to meet competitive con tions between related or contiguous cities, to avoid fourth-sect departures, and to diminish the number of individual rates wh must be computed and published. Carriers may submit for our proval key-point class rates based on the scale herein found reas able between points where such rates were prescribed by us in prior general class-rate revisions.

ULTIMATE FINDINGS

Upon the record, therefore, we ultimately find:

1. That the intraterritorial class rates (except as they apply to r and-water coastal service or relate to short- or weak-line arbitrari applicable within official, Illinois, southern, southwestern, and west

trunk-line territories, are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.

2. That the interterritorial class rates in issue in this proceeding applicable between official, Illinois, southern, southwestern, and western trunk-line territories are, and for the future will be, unjust and unreasonable, in violation of section 1 (4) and (5) (a) of the act.

3. That the relation between the interterritorial class rates applicable from southern, southwestern, and western trunk-line territories to official and Illinois territories, on the one hand, and the intraterritorial class rates applicable within official and Illinois territories, on the other hand, makes, gives, or causes, and for the future will make, give, or cause, undue and unreasonable preference and advantage to official and Illinois territories as a whole and the shippers and receivers of freight located therein, and subjects and for the future will subject, southwestern, and western trunk-line territories as a whole and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage, in violation of section 3 (1) of the act.

4. That a just and reasonable basis of class rates, not unjustly discriminatory or unduly preferential or prejudicial, to be observed by the respondents with respect to the traffic described in findings 1, 2, and 3 immediately preceding, will be the following:

(*a*) The application as a maximum for class 1 (class 100) of the scale of rates shown in appendix 10.

(*b*) The rates herein prescribed are to be applied to the distances over the shortest possible rail routes by which carload traffic can be interchanged between carriers without transfer of lading.

(*c*) That the scales of class rates for each class, other than class 1 (class 100), shall bear the percentage relations, to class 1 (class 100) rates found in part I hereof to be just, fair, and reasonable for the classes in the uniform classification. Appendix M to *Western Trunk Line Class Rates*, 164 I. C. C. 1, 282, contains a table which shows the percentages of class 100, below 100, herein found reasonable; and shows the rates which will result from applying these percentages to any given rate from 30 cents to $4. The rates shown in this table should be applied in establishing the rates for classes below 100. For classes above 100, fractions of a cent should be disposed of by dropping those less than one-half and by increasing those of one-half cent or more to the next whole cent.

(*d*) Key-point class rates based on the scale herein found reasonable may be established subject to our approval between points where such rates were prescribed by us in the prior general class rate revisions.

(*e*) That such class rates shall apply to the ratings of commodities

taking class rates as the same shall be rated in the uniform classification found to be just, fair, and reasonable in part I hereof.

(*f*) That such revised uniform class rates and classification ratings shall be made applicable simultaneously.

In part III hereof, which follows, we will determine an interim adjustment of class rates, based upon the maintenance of the existing classifications, pending the necessary revisions of the classification and rates above required.

PART III

AD INTERIM CLASS RATE REVISION

In parts I and II of this report we have found the classification ratings and class rates involved in this proceeding to be unjust and unreasonable, and unduly and unreasonably preferential and advantageous, as well as unduly and unreasonably prejudicial and disadvantageous in certain respects for the reasons therein stated. It is our duty under section 15 (1) of the act to determine and prescribe what will be the just and reasonable rates and charges, and what classification will be just, fair, and reasonable, to be hereafter followed.

The record herein is extensive, but from the very nature of these proceedings the comprehensive basis of just and reasonable rates cannot at this time be established in connection with a uniform classification such as we have found to be required as just, fair, and reasonable, until that classification is brought into being. The comprehensive rate revision and classification unification and revision should be accomplished simultaneously, if possible. From our prior experience with extensive rate readjustments and classification proceedings, and from the record in this proceeding, we know that necessarily considerable time must elapse before the respondents can formulate and tender for our approval a classification which will conform to our finding with respect to justness, fairness, and reasonableness. The many complexities inherent in a task of such character and magnitude are inevitable. The shipping public and rate-making authorities of the States should be afforded opportunity for participation in the undertaking as far as their interests are concerned. And, as shown by the record, and as within our common knowledge, there is at the present time a shortage of men who may be devoted to such task by the respondent carriers, public authorities, including this Commission, and by shippers and their organizations. This latter condition is a direct consequence of the withdrawal of such experts from their former employment for active participation in the war.

We find, however, that in the circumstances it is possible and practicable to make certain readjustments in the existing basis of class

rates, predicated upon the continued application of the existing classifications, which will be just and reasonable, which will have the effect of bringing to the minimum the preferences and prejudices which we have found to be unlawful, as completely as it is practicable now to eliminate such violations. This finding is based upon the peculiar circumstances of the present time, largely the result of the war, and because time will be needed to effectuate a classification revision and application of a scale or scales of class rates as our findings in part I and part II hereof contemplate. The adoption of the simple and direct method of rate revision which we are about to outline will conserve time, and will obviate many tariff publishing difficulties without complete revision of the classifications before us and the determination and prescription of new scales of rates based thereon.

Our general conclusions and findings heretofore made have emphasized the importance and desirability of bringing the several intraterritorial freight-rate structures under consideration closer together in level and more upon the same pattern or scheme. We have also emphasized the importance and desirability of removing as many differences as possible between the interterritorial rates of the respondents and the intraterritorial rates which they maintain. The basis which we shall now outline is in harmony with that objective, and will approach, as a preliminary step, the uniformity of class rate structure which we have previously found will be just, fair, and reasonable.

We find and determine that the basis hereinafter outlined will result in rates which, until a complete revision in harmony with our previous findings is possible, will be just and reasonable.

We find and determine that on and after the effective date of the order to be entered herein, the existing and current interstate class rates applicable to freight traffic moving at the classification ratings within southern, southwestern, and western trunk-line territories as those territories have heretofore been described in this report, and interterritorially between those territories, and also between those territories and official territory, as hereinbefore described, will be unjust and unreasonable unless reduced 10 percent, subject to the class 1 scale shown at the end of this paragraph as minima for class 1 rates, and subject to the qualifications hereinafter indicated. This reduction is to be made by using the present current applicable class 1 rates as a base, and reducing them 10 percent, subject to observance of the rates in the distance scale set out hereinafter as minima. The rates on all the other classes in each class-rate system are to be correspondingly reduced by observing the same percentage relations to the class 1 rates thus reduced that such classes bear to the currently applied class 1 rates. No changes in existing exception rates or column rates

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are contemplated by this finding. No increase in any existing class rates is to be made under this finding within the southern, southwestern, and western trunk-line territories, and interterritorially between those territories, and also between those territories and official territory. In determining resulting rates, fractions of a cent should be disposed of by dropping those of less than one-half cent and by increasing those of one-half cent or more to the next whole cent. We do not contemplate that groupings in connection with the present class rates shall be changed as a result of this finding. In applying the scale of minimum rates, the distances between groups or blocks of stations upon which the present class rates are based are to be observed, rather than the actual distances to or from such station, when differing therefrom.

Table of minimum class 1 (class 100) rates

Miles	Cents	Miles	Cents	Miles	Cents	Miles	Cents	Miles	Cents
5	40	160	82	580	152	1,150	234	1,775	311
10	43	170	84	600	155	1,175	237	1,800	313
15	46	180	86	620	158	1,200	240	1,825	316
20	48	190	88	640	161	1,225	244	1,850	319
25	50	200	90	660	164	1,250	247	1,875	322
30	52	210	92	680	167	1,275	250	1,900	324
35	54	220	94	700	170	1,300	253	1,925	327
40	56	230	96	720	173	1,325	257	1,950	330
45	58	240	98	740	176	1,350	260	1,975	333
50	60	250	102	760	179	1,375	263	2,000	334
55	61	260	106	780	182	1,400	266	2,025	337
60	62	300	110	800	185	1,425	269	2,050	340
65	63	320	113	825	189	1,450	272	2,075	343
70	64	340	116	850	193	1,475	275	2,100	344
75	65	360	119	875	196	1,500	278	2,125	347
80	66	380	122	900	199	1,525	281	2,150	349
85	67	400	125	925	203	1,550	284	2,175	351
90	68	420	128	950	207	1,575	287	2,200	353
95	69	440	131	975	210	1,600	290	2,250	357
100	70	460	134	1,000	213	1,625	293	2,300	361
110	72	480	137	1,025	217	1,650	296	2,350	365
120	74	500	140	1,050	221	1,675	299	2,400	368
130	76	----	143	1,075	224	1,700	302	2,450	372
140	78	540	146	1,100	227	1,725	305	2,500	375
150	80	560	149	1,125	231	1,750	308		

We find and determine that simultaneously as a part of the adjustment hereinbefore outlined, the existing applicable interstate class rates for freight traffic moving at classification ratings within official territory (including Illinois territory) should be increased 10 percent as maximum scales, superseding the intraterritorial official class-rate scale heretofore prescribed or authorized by us, subject to the qualifications hereinafter indicated, and that as so increased those scales will be just and reasonable as maxima. The increase of maximum class rates applicable within official territory is to be made by using the present current applicable class 1 rates as a base, and increasing them 10 percent. The rates on the other classes should be correspondingly increased by observing the same percentage relations to the maximum class 1 rates as thus increased that such classes bear to the currently

applied class 1 rates. No changes in existing exception rates or column rates are contemplated by this finding. The same provision with respect to disposition of fractions of a cent, as to groupings, and as to the ascertainment of distance hereinbefore stated with respect to the reductions within and between other territories and between those territories and official territory, shall in like manner apply to the increases in the maximum class-rate scales within official territory herein found to be just and reasonable. This finding as to the justness and reasonableness of the intraterritorial official class rates is based in part upon a consideration of the returns from operation of the various respondents in the several territories as reported to us, which we have considered pursuant to stipulations of record. From those returns and the whole record we find and determine that the revenue needs of the carriers in official territory with respect to their class-rate traffic are greater than is the case as to the class-rate traffic of the carriers in the other territories described.

The respondents maintain flat minimum charges for each less-than-carload shipment which may be and sometimes are stated and embodied in a rule of the governing freight classifications, and in other instances in varying measure are published in freight tariffs of the respondents or in exceptions to the classifications. The minimum charge provided by the various classifications is uniformly 55 cents. While this proceeding of investigation does not extend to rules of the classification, the minimum charge stated therein is in the nature of a rate, and is so published as a matter of convenience. We therefore find and determine that the minimum charge upon class-rate shipments in the territory included in No. 28300 is within the scope of this investigation.

From the record we find and determine that in many instances when commodities transported take class rates, the respondents have extended the service of picking up and delivering shipments and perform such service under the applicable class-rate charge without additional charge therefor. We also find and d ermine that such pick-up and delivery service has been extended in scope largely since our findings and orders in the various proceedings hereinbefore recited which prescribed or approved the class rates in issue in this proceeding. We find and determine from the evidence of record in this proceeding, that when such service is performed the applicable class rate with the existing minimum charge as stated does not yield the out-of-pocket costs incident to the transportation service which it purports to cover. We further find that to the extent the minimum charge per shipment is less than 75 cents, it is below a just and reasonable minimum rate and charge. Upon the record as it stands, and predicated upon the adjustments for the interim period herein-

before found to be just and reasonable, we determine and find that the minimum charge per shipment, whether pick-up and delivery service is afforded or not, whenever such charge is below 75 cents, is below the minimum of a just and reasonable rate and charge and that 75 cents is and will be a just and reasonable minimum charge to be made.

The foregoing findings and determinations are made as of the date when the order to be entered herein becomes effective. Inasmuch as these proceedings will necessarily be held open upon our docket, and as our power to suspend, modify, or set aside our orders is recognized by the act, we do not now prescribe a specified period of time during which these findings as to the interim adjustment shall continue in force, but make them as continuing until our further order.

In certain States the applicable intrastate class rates are held to a basis prescribed by us in orders entered in proceedings under section 13 (3) and (4) of the act. No especial consideration has been given to such intrastate rates in this proceeding. If any modification of our outstanding orders seems necessary, it should be sought by appropriate action as contemplated by our general rules of practice.

Our outstanding orders will be modified to the extent necessary to enable the carriers which are bound thereby to publish and file schedules embodying such increases and decreases; and authority will be given by appropriate order under section 6 of the act for the publication of simple forms of supplements to existing schedules to effectuate such increases and decreases. If carriers need relief under the provisions of section 4 of the act, we will give prompt consideration to applications therefor.

During the pendency of this proceeding the membership of the cooperating committee of State commissioners was changed by the withdrawal of Commissioners McConnaughey, of Ohio, and Murphy, of South Dakota, upon their retirement from their respective State commissions. Commissioner Doherty was assigned to replace Commissioner Murphy, and he and Commissioner Scott heard the argument. After the argument, Commissioner McConnaughey retired and was succeeded, in the spring of 1945, by Commissioner Meins, of Massachusetts. Copies of this report have been studied by all three of these cooperating commissioners, and we are authorized to say on their behalf that Commissioners Doherty and Scott agree with the conclusions and that Commissioner Meins agrees only in part.[12]

An appropriate order will be entered.

[12] The position of Commissioner Meins of Massachusetts is more fully set out in this footnote as follows:

"There are certain conclusions of the majority decision in which I do not concur.

"While I do not disagree that in many respects the accomplishment of a uniform classification on nation-wide basis would eventually be desirable, I do not believe that it

COMMISSIONER JOHNSON participated in the disposition of this proceeding.

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can be accomplished immediately, and that it is unreasonable at this time when the country is engaged in armed conflict with foreign powers to attempt to arrive at a national uniform classification. In the main I agree on this question with the comment of COMMISSIONER MAHAFFIE in his separate opinion at paragraph three (3).

"I believe the accomplishment of a uniform nation-wide classification, if eventually possible, should be accomplished with the least possible violence to the now existing rate structure established by means of the territorial classifications. For many years rates based on the existing classification area groupings have been accepted by the Commission, and it seems to me that changes in the rate structure in the various territories in the first instance, at least, can best be handled by the railroad classification committees in the various territories with their intimate knowledge of the various factors contributing to the flow of traffic in their respective groupings. The knowledge in possession of these classification committees by long experience should not be arbitrarily cast aside as they are familiar with the needs of the shippers and the public. Although uniform classification eventually may be desirable, I do not think it follows from the evidence in the case, nor is it prudent in the public interest at the present time, for the Commission to reverse the essence of its previous findings by declaring that present class rates are now, or rates in the future based on territorial divisions will be, of themselves unlawful or discriminatory.

"It seems to be unreasonable with the United States at war to expect the carriers in the several rate territories to bring about immediate agreement of a nation-wide uniform classification.

"The order of the Commission relative to *ad interim* adjustment revising the rates downward in the southern and western territories based upon evidence of cost of operation in the record in these territories may be justified, but to order arbitrarily an increase in class rates in the so-called official territory when no such increase of rates is requested by the carriers of that territory, at least in this proceeding, seems to me an unwarranted and unjustifiable burden to place upon the intraterritorial shippers in the largest industrial and manufacturing area of the country.

"If present classifications are unlawful (in which I do not concur) then the arbitrary percentage adjustments during any *ad interim* period must be equally unlawful.

"It would appear from the record that one of the purposes of national uniform classification in rates was the expectation that there would be a reduction in the aggregate number of 'commodity' and 'exception' or column rates now in effect to a great degree in the southern and western territories. The reduction recommended by the Commission in these territories in class rates I doubt would be sufficient to eliminate the majority of such existing 'exceptions', and if the minimizing of such exceptions in the various territories is a desirable goal, certainly the increase of class levels in official territory would obviously tend to increase the amount of traffic which will move in the future in official territory on 'commodity' and 'exception' rates.

"I do not believe that there is a preponderance of evidence in the record sufficient for the Commission to find that the grouping of rates in the present territorial areas are of necessity unlawful or discriminatory insofar as the difference of scale of classification in each area is concerned.

"I believe, however, that the various carriers should be directed to work toward eventual uniform classifications on a nation-wide basis if possible and allowed a reasonable period after the cessation of hostilities for the various economic adjustments which inevitably will manifest themselves after the close of the war.

"I am of the opinion that a nation-wide uniform classification is only a part of a properly balanced fair and equitable system of nation-wide carriers tariffs and in any such uniform nation-wide system the adjustment of 'commodity' and 'exception' rates is a matter which requires exhaustive study, particularly if the goal is for the hope of moving the bulk of traffic in any nation-wide class-rate structure. It is my understanding that 'commodity' rates and 'exception' rates are not subject to these proceedings which is a further reason for my disagreement with the findings of the Commission in ordering immediate nation-wide reclassification.

"The Commission's decision for nation-wide immediate reclassification comes at a time when the minds of the industrial leaders—manufacturers, producers, and shippers, as well as carriers—are bending every effort to win the war, and the attempt to bring about a peacetime revision of rate structures could well have been deferred until final victory is an accomplished fact."

MAHAFFIE, *Commissioner*, concurring in part:

The attempt to bring about uniformity in classification seems to me worth while. The effort has not been very successful up to this time but I think it should be continued. Hence I concur generally in that portion of the report which deals with Docket No. 28310. I do not agree with the findings made therein under section 3 of the act.

I also concur in the *ad interim* adjustment. The relative earnings and operating ratios of the carriers in the different districts at this time afford an opportunity more nearly to equalize rates. It appears not unlikely that before very long it may be necessary to increase freight rates in order to maintain adequate service. A horizontal increase necessarily disregards discrepancies in the earnings of individual carriers and almost equally of different groups and districts. Percentage increases accentuate differences in rate levels. The adjustment now prescribed as temporary will help to harmonize the rate levels in the different territories so far as is practicable on the basis of the present earnings. In addition it has the advantage that it can probably be put into effect without a long period of waiting and without further litigation. It can also readily be modified if changed conditions make modification desirable.

With that portion of the report which requires a permanent readjustment of class rates I do not agree. As to what I consider its defects I am in accord, in the main, with COMMISSIONER PORTER'S comments in his dissent herein. In a country so vast as this with its widely varied resources and differing transportation needs it seems to me a mistake to try to compel general equality in rates except to the extent equality is justified by transportation conditions. I think the effort to do so must necessarily fail. But I am afraid the process of finding out whether it can be done will be painful and costly. The prejudice findings on which the new adjustment is largely predicated are calculated, if carried to a logical conclusion, to lead to a rigid rate structure based on mileage. While this may seem on its face to be equitable its accomplishment would entail radical industrial and agricultural readjustments. I doubt if the country should be required to incur the expense of making them.

PATTERSON, *Commissioner*, concurring in part:

I agree with much of what COMMISSIONER PORTER has to say in criticism of the majority report, but not with his conclusions. It is my view that there should be an "*ad interim* class rate revision", in connection with which an increase in official territory class rates, as contemplated by the majority report, should be tentatively approved, subject to protest and suspension, but that such increase may not be required. I find no justification for the action of the majority

in entering a minimum-rate order. I concur in the view that the intraterritorial class rates in other territories, and the interterritorial class rates, are unreasonable to the extent found and should be required to be reduced as part of the *ad interim* revision. I do not, however, regard the revenues of the carriers serving these territories as excessive and, in my opinion, the reductions should not be made effective until the carriers have had an opportunity to propose and put into effect such revision of rates on other than class traffic as may be necessary to recoup the losses in revenue resulting directly or indirectly from the reductions in the class rates.

I do not subscribe to the "Ultimate Findings" of the majority. In my opinion any attempt to prescribe the rates to apply in connection with a uniform classification which is not yet in existence is premature. Orderly procedure requires, as the first step, the working out of uniform classification ratings. After this is done there should be a revision of the class rates for application in connection with the revised ratings, which should be on such a level as to move a substantially greater volume of traffic than do the present class rates, and which also should have due regard for differences in transportation conditions, the consist of the traffic, and the revenue needs of the carriers, in the different sections of the country.

PORTER, *Commissioner*, dissenting:

I favor bringing together much more closely than they are now the respective class-rate structures of the country. But I am forced to dissent from the majority report, first, because of its one-sided and inadequate statement of a number of the important facts; second, because the class-rate uniformity called for by the findings of the majority, under which the same set of class rates is to be applied throughout the country from Portland, Maine, to El Paso, Tex., and from Bismarck, N. Dak., to Miami, Fla., and the manner in which it is to be accomplished, not only are without adequate support upon the record and ignore the standards of rate-making consistently followed by this Commission throughout its 58-year history, but in my opinion ignore and are contrary to the best interests of the shipping public, as well as of the railroads, in each of the territories affected; and third, because the interim steps in rate changes contemplated by the majority fall below the relief to which the southern and western shippers are presently entitled. A permanent rate basis need not await a uniform classification, which in my opinion will not be realized for at least another 10 years, but can and should be established now. My reasons in greater detail will be found below.

The principal findings of the majority are divided into two categories; those relating to a permanent adjustment of the classifications

and class rates here in issue and those relating to a so-called temporary or interim adjustment. The findings having to do with the permanent adjustment, made under sections 1 and 3 of the act, contemplate:

1. A uniform classification throughout the country, based on the official classification, with intermediate and additional classes added.

2. A uniform scale of class rates throughout the portion of the country east of the Rocky Mountains, which is to approximate 115 percent of the basic scale of first-class rates prescribed in the eastern revision as increased by the general increases of 1938.

3. Percentage relations of classes other than first class to the first class rates on the basis of those in official territory.

The findings dealing with the so-called temporary or interim adjustment, made under section 1, contemplate:

1. A reduction of 10 percent in the existing interstate class rates within southern, southwestern, and western trunk-line territories, and interterritorially, subject to a distance scale of class rates, which is about 115 percent of the eastern scale, as minima.

2. An increase of 10 percent in the existing interstate class rates within official territory.

3. The new intraterritorial and interterritorial class rates to be governed by the existing classifications and in the manner now provided for.

The interim adjustment is to continue in force until a uniform classification is prepared, preferably by the respondents with the assistance of the shipping public and rate-making authorities of the States, and the prescribed uniform class rates and the uniform classification are to become effective simultaneously at some future date.

Because of the magnitude of the issues in these proceedings and the importance to the shipping public and the railroads of the findings made, I consider it necessary to discuss the report and the findings in some detail:

Uniform classification.—I agree in principle with the finding that a uniform classification would be just and reasonable. From its inception the Commission has favored and encouraged the carriers in classification uniformity. But despite that encouragement, which has at times reached the point of insistence, approximately 40 percent of the more than 20,000 ratings in the respective classifications have not been unified. Now, suddenly, in the midst of a world war, when the railroads, the shippers, and the regulating bodies have been drained of manpower which could be made available for the purpose without hurting the war effort, the majority demand prompt revamping of nearly half of the total classification ratings affecting many thousands of important articles, among which are the most controversial and difficult in the art of commodity classification. If the war effort is not

to be retarded, as of course it should not be, and if the uniform classification thus demanded of the carriers is to be just and reasonable as the law requires, we might as well face the truth that the difficult job of classification uniformity cannot be completed for many years to come. Anyone reasonably familiar with the principles of classification could tear to pieces the present classifications and compile one in which the ratings in the respective territories were uniform, and upon order from the Commission the carriers might even establish such a paper classification, but that would not bring about the use of uniform rates in actual transportation. There is room for some doubt whether uniform classification on all articles of transportation will ever be practicable, but certainly any such classification hurriedly put together will simply precipitate a multitude of additional classification exceptions and commodity rates, and a flock of complaints to this Commission, the net result of which will be defeat of the principal objective sought, namely, uniformity in transportation charges for like services under similar conditions in all of the territories concerned at the earliest practicable date.

In bringing about classification uniformity on the great bulk of the articles concerned, I know of no practicable substitute for the customary methods employed by the classification committees of the railroads themselves, who alone have, or can obtain with reasonable promptness, the mass of data which must be considered before intelligent action can be taken. Those committees should be streamlined for more prompt and more cooperative effort, supplemented where the need arises by representatives of this Commission and of the State regulatory bodies. But even if or when that is done, and if classification uniformity, so far as may be practicable, is eventually accomplished, it is more than likely that the number of classification exceptions and special commodity rates will be at least as great as now and that the proportion of the total rail traffic which will move on the uniform classification basis will be at least no greater than it is today.

For the foregoing reasons, and looking at the problems before us from a practical standpoint, while I agree that classification uniformity is a worthy objective which should be attained so far as the law demands at the earliest practicable date, I cannot believe that it will have much effect on rate uniformity. Accordingly, I see no sufficient reason for withholding a permanent class-rate adjustment until the establishment of a uniform classification, which, as stated, is many years off and may never reach complete fruition.

As I read the record, there is no greater merit in the official classification than there is in any of the others, and I am not in accord, therefore, with the finding of the majority that "the pattern of the official classification is the one which best comports with the requirements of the

statute that the individual and joint classifications shall be just, fair, and reasonable, for application uniformly throughout the country." The testimony of the classification committees, who know more about it than anyone else, is that the respective classifications have been made to fit the conditions of the respective territories, and the witnesses for those committees introduced voluminous evidence in refutation of the opinions expressed by the proponents of uniformity that the official classification is superior to the others. As the record now stands, there is no evidence dealing with any individual rating and therefore no support for any change in a single rating. The "pattern" of the official classification thus laid down by the majority seems to me worse than no pattern at all.

Uniform class rates.—In my opnion, the record falls far short of supporting the finding that to be just and reasonable, and free from undue prejudice and preference, the class rates throughout the area east of the Rocky Mountains must be placed in the strait-jacket of a uniform distance scale. Even the report does not warrant such a conclusion, and it seems the majority could not quite bring themselves to make the direct finding that the class rates are and will be unlawful where and to the extent that they depart from such a scale. Nevertheless, that is the net result of the findings made, and with that result I am not in accord.

Throughout the history of its regulation, the Commission has consistently recognized what is still the fact, namely, that conditions in the various rate territories differ with respect to the volume and kind of traffic transported, the distribution of the rate burden, and the revenue needs of the railroads. These and other factors have resulted in the maintenance of different rate territories, the boundaries of which have been determined largely by the basic fact that, in general, the rails of the carriers within the respective territories do not extend beyond their borders, and in the establishment of different rate levels within those territories. In the proceedings wherein these levels were recently prescribed, we recognized that the volume of high-grade traffic was much greater and the articles included therein of much higher value in official territory than in the other territories; and that the volume of other than class-rate traffic, excluding coal, in comparison with the total traffic, was much greater, and the articles included in the other traffic of lower grade, in the other territories than in official territory. Because of these differing conditions, and the further fact that relatively lower rates were maintained on raw materials and basic commodities within the other territories than in official, we prescribed higher class-rate levels in southern, southwestern, and western trunk-line territories than in official territory.

Since the decisions in which those prescriptions were made, the situation as to volume and kind of traffic transported in the various territories has not changed, except in degree. The principal change has been in official territory where a smaller proportion of the total traffic now moves at the rates in issue. Nevertheless, according to an exhibit of record, in official territory 23.4 percent of the total traffic still moves at class rates and at exception rates which are related by percentages to the class rates, and 76.6 percent at commodity rates, as compared with only 7.8 percent at class or exception rates and 92.2 percent at commodity rates in southern territory, 0.8 and 99.2 percent, respectively, in western trunk-line territory, and 6.8 and 93.2 percent in southwestern territory.

Articles in the manufactures and miscellaneous, and products of mines groups are usually considered the most remunerative to the railroads, and those in the products of agriculture, animals and products, and products of forests groups less remunerative. In 1939, a representative year, commodities in the first two groups accounted for 87.63 percent of the total tons of carload freight carried, and 76.26 percent of the total carload revenue for class I railroads in the eastern district. Comparable figures for the southern region are 73.60 percent and 58.31 percent, respectively, and for the western district, 66.02 and 53.92 percent. Shipments in the products of agriculture, animals and products, and products of forests groups represented 10.64 percent of the total tons of carload freight carried and 14.29 percent of the total carload revenue for class I railroads in the eastern district, 23.65 percent of the tons and 30.69 percent of the revenue in the southern region, and 32.47 and 39.31 percent, respectively, in the western district.

Two classes of traffic, namely, coal and coke and iron and steel articles, move in much greater volume, constitute a far greater proportion of the total tonnage of freight handled, and provide absolutely and relatively a much larger amount of revenue in official territory than in the South. In 1939, approximately 95 percent of the coal and coke production of the country originated east of the Mississippi River, divided, official territory, including the Pocahontas region, 82.23 percent and southern territory, 12.9 percent. Excluding New England, in which there is no coal production but which imports a vast quantity, and the Pocahontas region, the coal and coke tonnage originated in official territory was 46.19 percent of the United States total. Coal and coke traffic is economical and profitable to handle. The coal traffic is more diffused and is more evenly shared by the major eastern railroads than by those in the South, where it is largely confined to four railroads, Louisville & Nashville, Southern, Illinois Central, and Clinchfield.

Official territory railroads handled 481 million tons of freight other than coal and coke in 1939, as compared with 143 million tons transported by southern railroads. Included in the former figure was a large volume of iron and steel traffic far in excess of the tonnage of like articles in southern territory. Thus, the ratios of the tonnage in iron and steel articles to the total freight tonnage handled, and of the revenue received from iron and steel tonnage to the total revenue from all freight, for the central-eastern and Great Lakes regions, which roughly constitute official territory other than the New England and Pocahontas regions, were, respectively, 15.32 and 14.66 percent, as compared with only 5.11 and 5.02 percent for the southern region. So also, the tonnage of iron and steel articles originated was 20.91 percent in the portion of official territory described and only 3.92 percent in the southern region. In 1940, 83.86 percent of the rail tonnage of iron and steel articles of the country originated in official territory, excluding New England and the Pocahontas region, as compared with only 6.65 percent in the South. The primary reason for this difference in tonnage lies in the natural advantage which accrues to the large official territory steel mills because of their location near great deposits of coal and on or close to the Great Lakes where cheap transportation of iron ore by water and, if need be, short rail hauls beyond are available. The cars used to transport ore from lake ports to the interior mills are afforded return loads by the large quantities of cargo coal moving to those ports. Moreover, the greatest consuming markets for manufactured iron and steel are in official territory.

Thus, coal, coke, and iron and steel tonnage provide official territory railroads with large sources of revenue which are available only in small degree to southern railroads. This fact affects, and in my opinion should affect, both the principles underlying the making of the northern and southern rate structures and the levels of the rates provided for class-rate traffic.

In the movement of low-grade, heavy-loading freight the situation is quite different from that portrayed above. The relative importance of the movement of two groups of low-grade commodities in 1939 for the southern region and the central-eastern and Great Lakes regions is shown in the following table. Group 1 comprises sand and gravel, broken and ground stone, phosphate rock, furnace slag, iron ore, fuel wood, pulpwood, logs, posts, poles and piling, and common brick, all of which are among the lowest-grade commodities transported. Group 2 consists mainly of manufactured goods in the category of low-grade tonnage and includes lumber, shingles and laths, box, crate, and cooperage material, built-up wood, railroad ties, products of forests, products of mines, brick, building tile, common lime, cement, fertilizers, cottonseed, crude petroleum, and asphalt.

	Commodities	Southern region	Central-eastern and Great Lakes regions
Percentage tonnage handled to total tonnage all freight.[2]	Group 1	[1] 21.32	[1] 5.61
	Group 2	19.48	18.68
Total		[1] 40.80	[1] 23.74
Percentage freight revenue to total freight revenue [2]	Group 1	6.63	1.70
	Group 2	15.01	11.43
Total		[1] 21.64	[1] 13.13

[1] Excludes iron ore.
[2] Excludes coal and coke.

In 1941, the western district class I railroads operated in freight service 56.45 percent of the 230,094 miles operated in the country. But they originated only 36.98 percent of the total tons of carload traffic originated in the United States, excluding the Pocahontas region. The eastern roads operated 24.50 percent of the total mileage, but originated 47.40 percent of the total originated carload traffic, excluding the Pocahontas region.

An analysis of the composition of the traffic originated in these two districts shows an even greater contrast. In 1941, the western railroads originated 68.82 percent of the total agricultural products originated in the country, as compared with 20.88 percent by carriers in the eastern district, but the volume of the products of agriculture originated in the West is only 6.33 percent of the total of all carload traffic originated in the country. In that year, the western roads originated 28.06 percent of manufactures and miscellaneous tonnage, as compared with 60.66 percent by the eastern carriers. The eastern roads' share of manufactures and miscellaneous is almost three times the tonnage of agricultural products of the western roads, and thus the eastern roads' preponderance of high-grade traffic affords a much greater source of revenue to them than do the products of agriculture to the western carriers.

In the same year, the western roads originated 63.03 percent of the total tons of animals and products originated in the country, and the eastern roads only 28.51 percent, but here again the western tonnage is less than 1 percent of the total of all carload traffic in the country. The Commission has found that livestock is a commodity which cannot be expected to do more than pay its own way, *Livestock—Western District Rates*, 176 I. C. C. 1, 83, so there can be little profit in that kind of traffic.

In 1941, western roads originated 58.73 percent of the total tons of forest products and the eastern roads, 7.52 percent. The western tonnage is 3.80 percent of the United States total. Here again, this group of commodities is subject to freight rates which are not in the higher brackets. The tonnage of products of mines originated by the

western roads was 33.31 percent of the total, as compared with 49.85 percent for the eastern roads, and was 17.47 percent of the United States total as compared with 26.14 percent for the eastern district. The western figures include iron ore, which is mined almost solely in Minnesota and is hauled for relatively short distances to Lake Superior docks.

The 13 western trunk-line and southwestern States originated a total of 258,735,397 tons of all carload freight, as contrasted with 199,140,599 tons of manufactures and miscellaneous alone originated in the eastern district.

During the period from 1921 to 1941 the revenue ton-miles per mile of line (traffic density) of the eastern railroads were more than twice, and in some years three times, those of the western roads. In 1921, the former's density was 2,357,040 and that of the latter 829,858. In 1941, corresponding figures were 3,392,964 and 1,358,041, respectively.

From the foregoing it is plain that the consist of the traffic is vastly different in official territory than it is in either southern or western territory, and that the chief difference lies in the much larger proportion and volume of the high-grade and more remunerative traffic in official than in either of the other territories. Alongside that very important fact there should be placed another, which the southern and western interests should realize is of great importance to them, namely, that on many raw or basic materials vital to the life of the South and the West, and which generally move on commodity rates, the rates in the South and the West are on a lower level than in the East. Using the South for illustration, the rates are now lower than in the East on such commodities as pig iron, pulpwood, logs, lumber, scrap iron, brick, lime, sand, gravel, crushed stone, fertilizer, and sulphuric acid. These important facts mean that the eastern roads by reason of their large volume of the more profitable traffic can render adequate service to the public with a lower rate level on other traffic, such as class-rate traffic, than can the southern and western roads. They mean also that if, as the majority here insist, that natural advantage is to be taken away from them and the class rates are to be made uniform in all of the territories east of the Rocky Mountains by increasing the eastern class rates by about 15 percent and reducing those in the other territories to that level, the ultimate result will be either that the eastern roads will make unreasonably large profits, which through divisions of the interterritorial rates they will be expected to share liberally with the southern and the western roads, and the official territory shippers and consumers will be called upon to help carry the burden thus thrust upon them by the relatively low rates on raw materials in the South and the West, or the latter rates, as well as a number of other exception and com-

modity rates in the West and the South, will have to be increased so as to provide the southern and western roads with sufficient revenue to enable them to continue to render adequate service to the public. To say, as do a number of the parties advocating uniformity, and as in effect does the majority report, that exception and commodity rates are not here involved and are not to be affected by what is done here, is simply playing the proverbial ostrich and should deceive no one.

One is required to guess from the text of the report the reasons which impelled the majority to prescribe a uniform scale of rates throughout this area, because the basis or bases for this finding are not clearly stated. The emphasis placed upon it in the report indicates that the cost evidence is the principal basis for the finding. It seems important, therefore, to discuss briefly the cost studies and the weight which should be accorded them.

The cost evidence was prepared by members of our staff. It does not even purport to reflect the actual or relative costs of transporting class-rate traffic in the different rate territories. The territorial cost comparisons were based on the cost of furnishing a given amount of transportation service in certain territories selected by our cost section on traffic handled in different types of equipment, such as box, gondola, tank, stock, flat, or refrigerator cars. Class-rate traffic is not transported exclusively in any type of equipment, and although a substantial quantity is moved in boxcars, the volume of class-rate traffic transported in boxcars is much less than the volume of traffic transported in that type of equipment at exception or commodity rates. It is thus clear that the cost evidence does not afford a basis for a finding of the actual or relative costs of class-rate traffic in the various territories.

The report does not show, except in nebulous fashion, that the cost figures represent apportionment of totals, based on estimates; that they involve many assumptions and acts of judgment; and are not computations from direct, original cost figures for particular movements. These, however, are the facts. It omits evidence showing that 59 out of 117 items of basic data used in the studies were estimated, and that 458 out of 500 sequences were wholly or partly estimated. It fails to disclose clearly that, when making the studies it was assumed that the consist of the traffic is the same in the different territories, when the fact is, as I have pointed out, that the traffic consist differs widely in the respective territories. The result is that theoretical costs are produced, based upon assumptions which are not facts, and upon comparisons of unlike things.

Moreover, the territorial subdivisions shown in the report in connection with the cost study do not reflect accurately the class-rate ad-

justments in the several rate territories. For example, the basic eastern scale does not apply in New England, and the basic southern scale does not apply in the Florida peninsula, but the basic eastern scale does apply in the Pocahontas region. The report does not contain any comparison of costs in official territory, including the Pocahontas region but excluding New England, with southern territory, excluding the Florida peninsula. Likewise, the territorial comparisons on which reliance is placed are for the western district as a whole, including mountain-Pacific territory. The latter territory is outside the scope of the class-rate proceeding and its rates are on a higher level than in western trunk-line and southwestern territories.

Among the incongruous results revealed by the cost study are that bituminous coal earns only 70 percent in the western district, only 72 percent in the southern region, and only 81 percent in the eastern district of "fully distributed costs," although it is a well-known fact that the heavy coal-carrying roads have always been the most prosperous; that iron and steel articles produce 99 percent of cost in the East as against 244 percent in the South, although on much of the iron and steel traffic the level of the rates in both territories is about the same; and that passenger automobiles earn 111 percent of cost in the East, 117 percent in the West, and 157 percent in the South, in the face of the fact that we have just concluded a lengthy nation-wide investigation of the rates on automobiles, in which it was shown that numerous rates on that commodity have been greatly reduced to meet motor-carrier competition and there is much reason to believe that many of them are so low as to cast a burden on other traffic. Either this Commission has been grossly misinformed by dozens of sworn witnesses in the last half century, or this cost study is practically worthless for the purpose of fixing rates. I do not mean to say that it is not the best that can be produced at this stage of the science of cost-finding, but I do mean to say that it is so full of estimates and assumptions that even if it purported to show the cost of transporting class-rate traffic, which it does not, it would be unsafe to base the prescription of class rates or class-rate relations upon it.

Aside from serving as a guide in fixing minimum rates, it seems to me the sensible policy toward the use of cost studies in rate making, now as then, is that set forth by the Commission in *Switching at St. Louis and East St. Louis*, 120 I. C. C. 216, where at page 220 we said:

> A cost study is ordinarily little more than a very rough indication, and even if unusually comprehensive and exact, it should not be the sole basis for fixing rates. The value of the service to the shipper and many practical considerations may be of equal or greater importance.

"But," say the majority, in effect, "we are not here basing the actual rates on cost, but are using cost to fix the rate relations between the

respective territories." That is a dangerous policy, which is likely to plague this Commission for years to come, for it is perfectly plain that if a general cost study such as the one upon this record can be and is used as the vehicle for forcing uniformity in class rates, the same study can and probably should be used as an excuse for forcing uniformity in all rates, exception and commodity rates included. Certain it is that the study has no more merit for the fixing of class rates or class-rate relations than it has for the fixing of rates or relations on exception or commodity traffic. Would uniformity on all traffic be in the interest of the South with its relatively low rates on raw materials, or of the West with its relatively low rates on products of agriculture, including Idaho potatoes? I fear not. But on the theory of this report, and whether we like it or not, that is the direction in which we are now drifting.

The majority find that uniformity should be accomplished, among other steps, by increasing the class rates in official territory by 10 percent, to be changed later to about 15 percent, and as a basis for that finding they further find that the existing intraterritorial rates in official territory are unjust and unreasonable under section 1 (4) and (5) (a) of the act, and in their relation to the interterritorial rates are unduly preferential of official territory and its shippers and receivers of freight, and unduly prejudicial against the other territories and shippers and receivers therein located, in violation of section 3 (1). Aside from the cost study, which as stated is utterly inadequate for the purpose, the record embodies not one word of evidence in support of the finding that the official territory rates are unjust or unreasonable under section 1, and even the cost study indicates that carload traffic in the East is being handled at a profit. Excepting only the motor carriers, who are seeking an opportunity to increase their own rates, and testimony offered in their behalf, not a single party to this proceeding has gone on record as favoring an increase in the eastern rates and none of the evidence was directed toward that end.

So far as undue prejudice and preference under section 3 is concerned, this Commission has long taken the position, and it has been sustained by the courts, that in order to support a finding under that section there must be a clear indication of injury to the prejudiced party or parties. *Barrett Co.* v. *Atchison, T. & S. F. Ry Co.*, 172 I. C. C. 319, 333; *Bronstein* v. *Baltimore & O. R. Co.*, 215 I. C. C. 136, 141; *Hoffstot* v. *Monongahela Ry. Co.*, 248 I. C. C. 248, 253. Now, let us see what injury to southern and western shippers is shown on this record. The southern interests offered only nine shipper witnesses, and only three of them represented shippers whose products move on class rates here in issue. They are a manufacturer of washboards at

Raleigh, N. C., a manufacturer of macaroni products at Memphis, Tenn., and a manufacturer of wine at Atlanta, Ga. The Raleigh manufacturer's business has increased substantially in recent years, and about 25 percent of his shipments to official territory have been to Detroit, a short distance from Saginaw, Mich., where one of his chief competitors is located. Application of the eastern level of rates to his shipments to the North in a typical month would have reduced his freight charges by only 8 percent. The witness for the macaroni products manufacturer was not familiar with the basis on which macaroni products are sold, the volume of the shipper's traffic, the points to which shipments are made, or the rate of growth of the shipper's business. He had no knowledge of any injury by reason of the rate situation. The Atlanta manufacturer has a winery also at Brooklyn, N. Y., and does a nation-wide business. He recently constructed a larger plant at Atlanta and his business has made substantial progress.

Another southern witness had acquired a tannery at Andrews, N. C., about 4 months prior to the hearing. He had made no outbound shipments, but had received some shipments of green and dry hides from official territory. The green hides moved at rates not here in issue, as will also out-bound shipments of leather when made. The dry hides, consisting of five carloads, moved at fourth-class rates which, according to an exhibit, were 31.1 percent higher than if the entire movement had taken place in official territory. No explanation for his failure to purchase hides at southern points was made by the witness, except the statement that "there are very few southern hides produced." This explanation is not in accord with our findings in *Schoen Bros., Inc.* v. *Erie R. Co.*, 258 I. C. C. 161, wherein the Commission prescribed rates on green salted hides from points in southern territory to official territory destinations. Therein, page 162, it appears that in the representative year of 1941, 29,774 tons of hides were originated in southern territory. This witness stated that one of the main reasons for his location at Andrews instead of elsewhere was because he had available at that point "the necessary supplies with which to carry on our business," especially an ample supply of chestnut wood. Numerous tanneries have been operating for many years at various points throughout the South, including a number in the general area of Andrews. None of them has expressed to us any dissatisfaction with the class-rate adjustment, with the single exception of this witness, who, as stated, had been operating in the South for only a few months at the time of the hearing.

The western interests offered only three shipper witnesses, a steel manufacturer at Pueblo, Colo., who uses class rates to a very limited extent and did not advocate rate parity with official territory, a manufacturer of coal-washing machinery at Pittsburg, Kans., and a

manufacturer of lamps and stoves at Wichita, Kans. The last two now ship most of their products to official territory, and neither left any impression that he was hurt by the present adjustment.

So far as appears, the products of each one of the foregoing shippers using class rates move freely under such rates, and the evidence falls far short of demonstrating that shippers are injured by them to any appreciable degree.

But it is urged by the southern interests, and especially in behalf of the Southern Governors' Conference, that the industrial development of the South as a whole has been and will continue to be retarded, and therefore that the South as a territory has been and will continue to be injured, by the class-rate adjustment unless class-rate uniformity is brought about. The evidence is overwhelmingly to the contrary. The facts are that from 1929 to 1939, which is a representative period, the South made greater progress industrially and economically than any other section of the country. In that period the number of wage earners in manufacturing industries in the country declined 11 percent, in official territory 12 percent, but in the South there was an increase of 5 percent. The values of manufactured products for the country declined 21 percent, in official territory 25 percent, but in the South there was an increase of 1 percent. The number of wage earners in the canned fruit and vegetable industry increased 68 percent in the South, as compared with an increase of 28 percent in official territory. In the cotton industry the number of wage earners in 10 northern States decreased 45 percent, as compared with an increase of 12 percent in 6 southern States; the value of cotton products decreased 55 percent in the northern States and only 12 percent in the southern States, and the value added by manufacture decreased 48 percent in the North and increased 8 percent in the South. Similar data of record show like trends in the furniture industry, in the manufacture of heating and cooking apparatus, and in other industries. Only in the manufacture of a relatively few products, such as morticians' goods, certain flavoring extracts and sirups, and flour and grain-mill products, was the industrial trend during that period less favorable in the South than in the North. From 1930 to 1940 there was a greater decrease in agricultural employment in southern than in official territory, but manufacturing employment increased in the South and decreased in the North. In 1941, income payments for the United States were 111 percent of those in 1929, for official territory 100 percent, and for the South 128 percent.

Similar theories and arguments were advanced by Kentucky interests in *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, 213 I. C. C. 297. The Kentucky commission had prescribed intra-

state class rates on substantially the eastern level, and that level of rates was sought from Kentucky to official territory. The claims were that the rate structure complained of had hindered the development of industry and had disintegrated the State's social structure. In that proceeding we required the existing interterritorial class rates to be reduced to substantially the eastern level, and such rates became effective in 1935. What happened? The industrial trend in Kentucky between 1927 and 1939 was less favorable than in the remainder of the South. In 1939 the number of industrial establishments in Kentucky was only 88 percent of the number in 1927, as compared with 101.8 percent for the South as a whole; the number of wage earners was 84 percent in Kentucky and 108.7 percent in the South; the value of the products of such establishments was 108 and 113.2 percent, respectively; and the value added by manufacture was 95 and 102.1 percent. In 1940, 5 years after the revision of the Kentucky class rates, the traffic density of manufactures and miscellaneous freight in Tennessee, in which the higher southern class rates applied and now apply, exceeded that in Kentucky by 68.5 percent; and in 1937 the value of manufactured goods in Tennessee exceeded that in Kentucky by 40.2 percent.

An unbiased consideration of the foregoing data, together with others of similar import upon this record, can lead to but one conclusion, namely, that the class-rate adjustment here before us has had no appreciable effect, one way or the other, upon the industrial or economic development of the South or the West, and that not a single shipper, nor any particular class of shippers, nor any particular territory, has suffered injury by reason of that adjustment. Accordingly, I can find in this record no adequate support for the majority findings of undue prejudice and preference.

Moreover, it seems to me the majority reach a labored construction of our powers under section 3 (1) of the act as amended in 1940 by the addition of the words "region, district, territory." In my opinion, those words added nothing to our powers, which prior to that amendment were ample to permit us to remove undue prejudice against one region, district, or territory, and undue preference of another. Certainly there has been no change in the criteria, to one of which I have just referred, which have long been applied by us in determining whether undue prejudice or preference exists.

I have no difficulty in agreeing that the evidence does warrant a finding of unreasonableness of the intraterritorial rates within the South and the West, as well as of the interterritorial rates between the respective territories, and that they should be substantially reduced. In order to bring together the class-rate structures still more closely than would result under such a finding of unreasonableness, I favor

affording the eastern carriers the opportunity to make some increases in their class rates, but not by as much as 15 percent or even by 10 percent. To increase the eastern rates, especially on carload traffic, by either of the latter percentages will cast a heavy and unwarranted burden upon the official territory shippers of class-rate traffic. On a large proportion of the traffic which formerly moved, and normally should move, on class rates in official territory, exception or commodity rates have been established which are generally much below the class basis. The effect of what the majority require here, therefore, is to heap a further burden on those shippers, generally the small shippers, whose rates have never been reduced below the class basis, thus widening the advantage already enjoyed by those, mostly the large shippers, whose rates have been accorded special treatment. It may be confidently expected, if the eastern class rates are increased by 10 percent, and especially by 15 percent, either that much of the present class-rate traffic in official territory will be accorded exception or commodity rates on about the same level as the existing class rates, in which event the uniformity here aimed at will be largely destroyed, or that there will fall into the lap of this Commission a swarm of meritorious complaints against the resulting wholesale violations of the discrimination provisions of the act.

I would find that the present class rates in official territory, other than in New England and in Michigan zone C, are below a maximum reasonable level by about 6 percent, and that the existing class rates in the South and the West here in issue are unreasonable, (*a*) intraterritorially, to the extent that they exceed or may exceed the official territory rates as so increased by more than 10 percent in the southern region, except the Florida peninsula, and in western trunk-line zone I, and by more than 21 percent in western trunk-line zones II and III, in the Southwest, and in the Florida peninsula; and (*b*) interterritorially, between all territories, to the extent that they exceed or may exceed the resulting destination territory basis in each instance. The eastern scale, increased as above and sufficiently extended, should be straightened out so as to remove the irregularities caused by the general percentage increases of 1938, and the progression in its longer reaches should be slightly increased, before its use as a basis for the reasonable rates which would thus result. As so changed, the eastern rates would be little different from what they were until recently as a result of the general increases authorized in Ex Parte No. 148, *Increased Railway Rates, Fares, and Charges, 1942*, 248 I. C. C. 545, 258 I. C. C. 455. The eastern roads could be expected to establish such increased rates voluntarily, and no such violent disturbance of rate relations within official territory would result as must be expected under the basis prescribed in this report.

The foregoing reasonable bases, which in my opinion are the most favorable to the West and the South which the record supports, would result in greater reductions in the southern and western rates than will the interim basis prescribed by the majority, excepting only in western trunk-line zone I wherein the basis I propose would result in rates which on the average would be about as favorable as under the interim basis. Rates on these bases could and should be made effective permanently now. And in their establishment the time-honored principle that ordinarily an exception or a commodity rate must not exceed the corresponding class rate, should be observed. *C. Findeiss Sons Co.* v. *Pennsylvania R. Co.*, 241 I. C. C. 299. This principle is disregarded by the majority in their admonition that "no changes in existing exception rates or column rates are contemplated" by the interim findings. If that admonition is observed, there will be numerous exception or commodity rates in southern and western territories and interterritorially which will be higher than the corresponding class rates, a condition which on its face is unduly prejudicial and preferential and should not be permitted, much less required, by this Commission.

As a matter of fact, a reduction of only 10 percent in the existing rates in southern territory, the Southwest, and western trunk-line zone III will be of comparatively little benefit to those areas because of the thousands of exception and commodity rates which are now below the classification basis and on which the traffic is now moving. The majority recognize that one of the chief objectives in a general revision of class rates should be to minimize the use of exceptions, many of which are ambiguous and difficult of application, and to utilize to a much greater extent than before, the class rates for the actual movement of the traffic. A reduction of only 10 percent, and especially without disturbing existing exception or column rates, will not to any material extent meet this objective.

Moreover, it seems to me important, as urged by a number of the parties to this proceeding, that because of the intense commercial and industrial competition which may be expected in the postwar period, the crying need is for a stable and permanent adjustment on a fair and reasonable basis now, so that the shipping public, which will play an important part in that competitive struggle, can plan intelligently for the future. Looking at this, as we should, from a practical standpoint, I am convinced that the best interests of the country as a whole, and of the shippers and the carriers as well, would be better served by the establishment now—at a time when the revenues of the carriers can better stand the reductions and when there is still time to make readjustments in exception and commodity rates, if need be, before the intense competition of the postwar period sets in—of a permanent and

stable rate adjustment, on the reasonable bases which are advocated in this expression, rather than by putting off to the distant future a permanent adjustment and foisting upon the public the unsound and unstable interim adjustment required by the majority.

Finally, the rate bases which I propose would not, as do the findings in the report, set aside long-established principles of rate making under which this country has become great and has developed the most efficient transportation system in the world; nor would they, as do the majority findings, "attempt to equalize fortune, opportunities, and abilities," which, as the Supreme Court pointed out in *Interstate Commerce Commission* v. *Diffenbaugh*, 222 U. S. 42, is contrary to the purposes of the Interstate Commerce Act.

BARNARD, *Commissioner*, dissenting:

I am of the opinion that the record in this proceeding does not support or warrant the findings and conclusions reached by the majority and, therefore, I dissent.

The Commission is in duty bound to confine itself to the record and in making its findings and arriving at its conclusions it may not go outside thereof. Unless its findings of fact upon which it bases its conclusions can find support in the evidence introduced, such findings and conclusions become unwarranted and unlawful.

This proceeding involves the classification ratings in all territories throughout the entire United States and class rates in official, southern, southwestern, and western trunk-line territories both interterritorially and intraterritorially. I purpose first to discuss the matter of a uniform classification.

Uniform classification.—The majority adopts the pattern of the official classification as the one which it thinks best comports with the requirement of the statute that the individual and joint classifications shall be just, fair, and reasonable for application throughout the country. The evidence fails to convince me that there is any greater merit in official classification than there is in any of the others. There is no evidence dealing with the classification ratings on particular articles. The record with respect to descriptions is general and consists mainly of comparisons of the ratings as a whole in one territory with another, and expressions of beliefs on the part of the southern and western interests that the official classification is lower and that they should have that classification because of their claim to parity with official classification. I feel that there should be a uniform classification throughout the country. I do not believe, however, that this objective can be effectively accomplished by displacing the classifications now in effect in Illinois, southern, and western territories with the official classification without giving proper consideration to the characteristics of all

of the articles embraced in the classifications and the commercial and competitive conditions in the respective territories. It seems to be the view of the majority that the Commission is authorized to set aside the classifications now in effect without such a showing. I am not in accord with that view.

Uniform class rates.—I purpose next to consider the class rates embraced in this proceeding. Inasmuch as only a very small percentage of the traffic in the territories here involved moves on class rates, I have been at a loss to understand why the column rates and exceptions to the class rates were not included in this investigation, and I am of the opinion that the failure to consider these rates will bring about widespread revisions of the exceptions and the column rates made with relation to class rates. I appreciate that sound reasons can be given for not including commodity rates, but the failure to include column rates and exceptions to the class rates cannot, in my opinion, be successfully defended.

The principal findings of the report with respect to the class rates may be divided into two parts. The first part relates to a permanent adjustment to become effective at some uncertain date in the future and provides a uniform scale of class rates throughout that portion of the country east of the Rocky Mountains, which is to average 115 percent of the basic scale of first-class rates prescribed in the eastern revision as increased by the general increases of 1938, with other classes related percentage-wise to first class. The second part relates to the so-called *ad interim* adjustment which is to continue in force until a uniform classification is prepared. That adjustment provides for a reduction of 10 percent in the existing class rates within southern, southwestern, and western trunk-line territories and interterritorially, subject to a distance scale of class rates as minima, and an increase of 10 percent in the existing class rates within official territory, including Illinois territory. It is my view that the existing differences between the levels of the intraterritorial class rates in the South and West and those in official territory are too great, and that the interterritorial rates between the respective territories should be revised; but as the evidence of the proponents of changes in the present rate structures was directed to uniformity on the basis of the eastern level, there is not, however, sufficient evidence in this record to enable me to express an opinion as to what would be a just, reasonable and nondiscriminatory class-rate adjustment.

In order to demonstrate of how very little importance is the class rate traffic within the respective territories and interterritorially as compared with the traffic which moves on rates other than the class rates, I call attention to the following table compiled from a study

made by a member of our staff and which was received as evidence in this case and is made a part of the majority report:

Territories (within, or from one to another)	Percent of carloads		
	Class rates	Exception rates	Commodity rates
Official	5.8	17.6	76.7
Southern	1.8	6.0	92.2
Western trunk-line	0.6	.2	99.2
Southwestern	2.4	4.4	93.2
Official to southern	12.6	36.3	51.1
Southern to official	.9	4.9	94.2
Official to western trunk-line	12.3	35.4	52.3
Western trunk-line to official	3.1	1.0	95.1
Official to southwestern	22.5	52.0	25.5
Southwestern to official	1.5	3.4	95.9
Southern to western trunk-line	1.5	13.5	85.
Western trunk-line to southern	6.1	3.1	90.8
Southern to southwestern	6.1	22.1	71.
Southwestern to southern	1.2	4.3	94.5
Western trunk-line to southwestern	13.0	6.2	80.8
Southwestern to western trunk-line	2.0	3.0	95.0

I fail to see any justification for disrupting the entire rate structures throughout the territories involved for the sole purpose of bringing about uniformity of class rates, especially in view of the fact that, as heretofore stated, only a very small percentage of the total tonnage moves under those (class) rates.

The class rates now in effect in the territories here involved have been prescribed by orders of this Commission. They stand as the lawful and effective rates and may not be supplanted by other rates unless and until by a preponderance of the evidence such existing rates have been found to be unjust and unreasonable or unduly prejudicial or preferential.

Representatives of the eastern States and numerous shippers and the rail carriers in official territory urged that no increases be made in the class rates in that territory, and all expressed their satisfaction with the present class-rate structure. Also the Southern Governors' Conference, the foremost complainant, approves the present class rates in official territory and on page 277 of its brief filed in this proceeding in support of the retention of these rates, we find the following statement:

> The eastern first class scale has been used with apparent general satisfaction in official classification territory, subject to the official classification. Neither the railroads nor the shippers are asking that that scale and classification be changed. It therefore seems to us that it is proper to apply it throughout the territory east of the Mississippi River.

The evidence also further establishes that the southwestern and western trunk line proponents of uniformity favor the retention of the class rates in official territory as they now exist. Nevertheless and in the face of this unanimity of approval, the majority, disregard-

ful thereof, would increase these rates in official territory on an *ad interim* basis by 10 percent and a permanent basis by an average of 15 percent. I inquire of them, where is the evidence which authorizes such increases or as far as that be concerned any increases whatever?

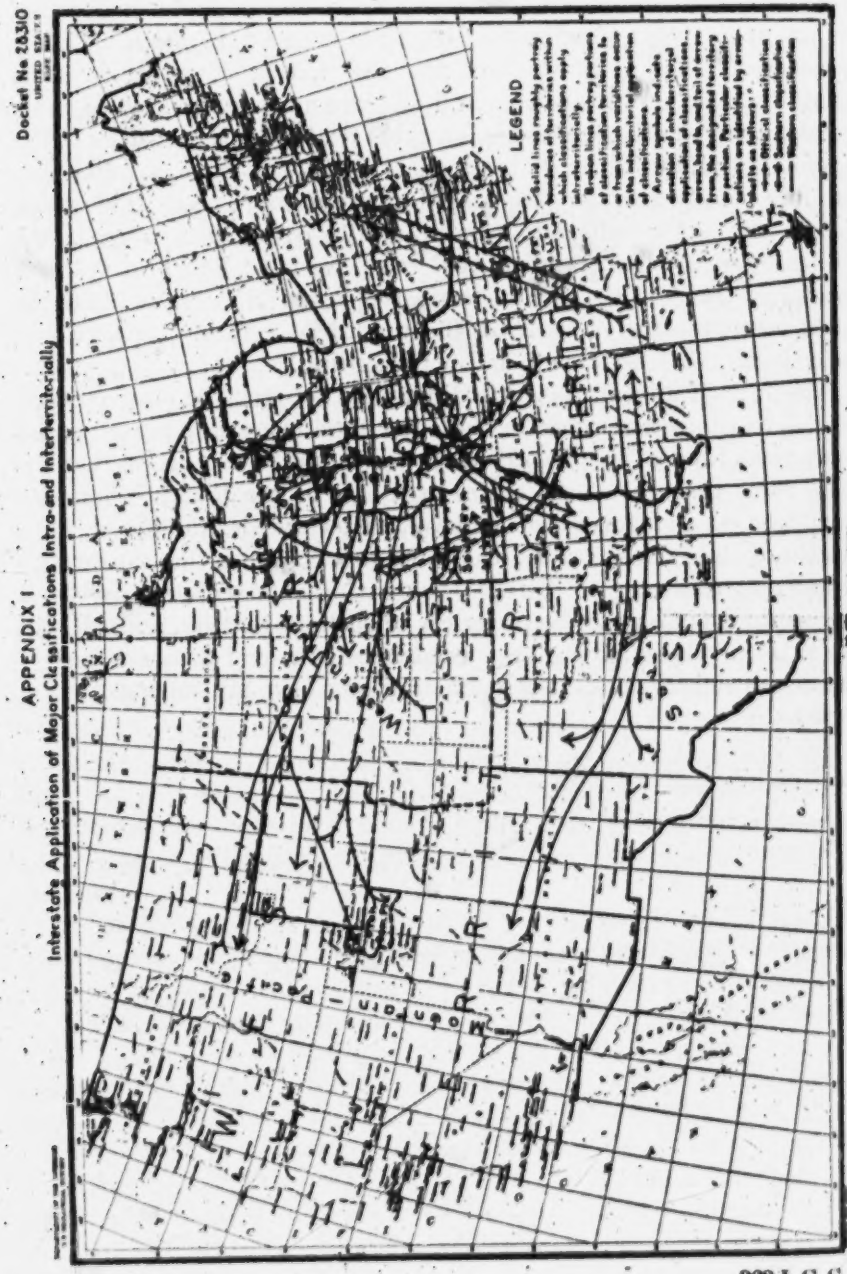
I come now to the consideration of the class rates in southern, southwestern, and western trunk-line territories. The evidence introduced in these proceedings does not justify the reductions herein ordered, and in the absence of such showing, the action taken in making such reductions is unwarranted, and not only is this true, but as a result of these reductions in the class rates in southern, southwestern, and western trunk-line territories, the carriers operating therein will suffer substantial reductions in their revenues. Just what steps are contemplated by the majority to enable the carriers to recoup such losses when they occur, and in my opinion they are bound to occur, has not been made clear.

I am unable to find in this record sufficient evidence to support the claim of the Southern Governors' Conference that the class rate structures within the South and between the South and official territory have restricted the industrial growth of the South and have favored and stimulated the growth of industry in the North. On the contrary, the evidence shows that the South has progressed industrially during the last decade much more rapidly than any other section of the country. Furthermore, the evidence fails to convince me that the products of the South cannot compete with the products of official territoy in that territory, but for the purpose of the argument, let it be assumed that the contrary is true. Nevertheless, if true, it does not come about because of the difference in the class rates but is due to other causes which have no connection whatever with these rates.

The only ground that I can conceive which impels the majority to condemn the class rates prescribed in the class-rate scales is the cost evidence prepared by members of our staff purporting to show that the cost of transporting freight by railroad is no greater in the South than in the North and but slightly greater in the southwestern and the western trunk-line territories than in the North. These studies attempt to arrive at a territorial comparison of average cost of all traffic and for traffic transported in different types of cars, i. e., box, gondola, and hopper, stock, flat, tank and refrigerator cars, and do not purport to show the costs of transporting class-rate traffic in any territory. The studies make no allowance for the difference in the consist of traffic in the different territories. If accepted at face value, they do not prove, nor were they intended to show the average cost of transporting class-rate traffic in any territory. Assuming, how-

ever, that the average cost of transporting class-rate traffic in the South and the West is either the same or not greatly in excess of transporting corresponding freight in the North for example, it does not follow upon such a premise that the rates must be the same. This is because of the well-known fact that the percent of profit on some kinds of traffic has always been and perforce must continue to be much greater than on others, as there is a great deal of traffic essential to the economic welfare of the country which would not move on rates that produce merely average percentages of profit above cost. Therefore, before we may conclude that substantially equal costs warrant the prescription of substantially equal rates, we must first find that the consist of traffic in the several territories is so similar as to make the rates remunerative in each of the territories. In my opinion, no such showing has been made in this proceeding.

Although it appears that the differences between the class rates in official territory and those in the other territories may be too great, there is nothing in this record which warrants the conclusion that the class rates throughout the entire area east of the Rocky Mountains should be on a uniform basis or level. However desirable a uniform system of class rates may be, if in order to accomplish that uniformity it becomes necessary to disrupt the existing rate structures without sufficient evidence as to the propriety of such uniformity, and without the rates involved having been condemned, the end does not justify the means employed, and such action cannot have my support.


Docket No 28300
APPENDIX I
Interstate Application of Major Classifications Intra- and Interterritorially
LEGEND
Mountain - Pacific

APPENDIX 2

Less-than-carloads

TABLE I.—*Official versus southern classification ratings, same items,[1] and rates*

[Rates are stated in cents per 100 pounds for 200 miles]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	2092	80	Official	55	616	44
Southern	100	2075	112		85	1	95
	85	5	95	Southern	70	2	78
	70	2	78		55	565	62
	55	7	62		50	2	56
Official	45	2	50		45	27	50
	40	1	45		40	19	45
Southern	85	2672	68	Official	50	993	40
	85	2600	95		70	2	78
	70	21	78	Southern	55	11	62
	55	42	62		50	682	56
	50	2	56		45	134	50
	45	2	50		40	162	45
Official	40	5	45		30	4	34
Southern	70	2716	56				
	70	2390	78				
	55	278	62				
	50	8	56				
	45	26	50				
	40	14	45				

[1] As in effect Aug. 3, 1942.

TABLE II.—*Official versus western classification ratings, same items,[1] and rates*

[Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone I]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	2092	80	Official	70	2716	56
Western	100	2076	97	Western	70	2571	68
	85	4	82	Official	55	145	53
	70	10	68		55	616	44
	55	2	53	Western	85	1	82
Official	85	2672	68		70	2	68
Western	85	2625	82		55	613	53
	70	29	68	Official	50	993	40
	55	18	53	Western	85	1	82
					70	3	68
					55	991	53

[1] As in effect Aug. 3, 1942.

TABLE III.—*Southern versus western classification ratings, same items,*[1] *and rates*

[Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone 1]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Southern	100	2,068	112	Western	85	18	92
Western	100	2,056	97		70	164	68
	55	2	53		55	725	53
Southern	85	2,583	96	Southern	80	688	86
	100	1	97		85	2	82
Western	85	2,378	82	Western	70	4	68
	70	1	68		55	682	53
	55	3	53	Southern	45	193	50
Southern	70	2,407	78		100	1	97
	85	4	82	Western	70	24	68
Western	70	2,402	68		55	168	53
	55	1	53	Southern	40	233	45
Southern	55	907	62	Western	55	4	62
					70	10	68
					55	219	53

[1] As in effect Mar. 17, 1942.

APPENDIX 3

Carloads

TABLE I.—*Official versus southern classification ratings, same items,*[1] *and rates*

[Rates are stated in cents per 100 pounds for 200 miles]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	213	80	Official	40	1,105	32
Southern	100	199	112		70	1	78
	85	7	95		55	3	62
	75	2	84	Southern	45	286	50
	70	5	78		40	809	45
Official	85	766	68		37½	2	42
	100	1	112		35	2	39
Southern	85	573	95	Official	37½	766	39
	77½	24	87		55	7	73
	70	161	78		45	96	50
	55	4	62	Southern	40	861	45
	35	1	39		37½	90	42
Official	70	1,433	86		35	10	39
	85	1	112		17½	2	20
	70	1,328	78	Official	35	2,709	39
	65	11	73		55	34	62
	60	1	67		45	190	50
Southern	55	73	62		40	1,646	45
	45	10	50		37½	28	42
	40	5	45		35	380	39
	37½	1	42	Southern	33½	107	36
	35	1	39		30	204	34
Official	55	1,270	44		27½	38	31
	70	19	78		25	13	29
	55	1,183	62		22½	38	25
	50	19	56		20	1	23
Southern	45	30	50		17½	2	20
	40	13	45	Official	27½	677	31
	37½	3	42		40	35	45
	30	3	34		37½	2	42
Official	50	1,185	40		35	1	39
	70	2	78		22½	28	25
	55	809	62		30	350	34
	50	93	56	Southern	27½	16	31
	45	204	50		25	25	29
Southern	40	60	45		22½	108	25
	37½	9	42		20	33	23
	35	1	39		17½	77	20
	30	6	34				
Official	45	335	36				
Southern	55	8	62				
	45	313	50				
	40	12	45				

[1] As in effect Aug. 3, 1942.

TABLE II.—*Official versus western classification ratings, same items,*[1] *and rates*

[Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone I]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Official	100	213	80	Official	45	335	36
Western	160	392	97	Western	55	8	53
	85	7	82		45	323	44
	70	3	68		40	1	39
Official	55	1	53		37½	3	36
	85	766	68	Official	60	1,105	38
Western	100	1	97		70	1	62
	85	587	82		55	5	53
	77½	24	75	Western	45	984	44
	70	132	68		40	32	39
	45	1	44		37½	82	36
Official	32½	1	32		35	1	34
	70	1,433	66	Official	37½	766	30
Western	85	1	82		55	8	53
	70	1,381	68	Western	45	110	44
	65	11	63		37½	644	36
	55	29	53		32½	2	32
	45	8	44	Official	17½	2	17
Official	32½	3	30		35	2,709	28
	55	1,270	44		55	36	73
Western	70	19	68		45	309	44
	55	1,108	53		37½	2,115	36
	50	19	49	Western	35	3	34
	45	31	44		32½	133	32
	37½	2	36		30	83	29
Official	32½	1	32		22½	23	22
	50	1,185	40		17½	7	17
	70	4	68	Official	27½	677	22
	55	995	53		45	1	44
	50	57	49		37½	83	36
	45	85	44	Western	32½	136	32
Western	42½	1	41		30	243	29
	40	3	39		22½	112	20
	37½	29	36		17½	102	17
	35	4	34				
	32½	2	32				
	30	5	29				

[1] As in effect Aug. 3, 1942.

TABLE III.—*Southern versus western classification ratings, same items,*[1] *and rates*

Rates are stated in cents per 100 pounds for 200 miles, western rates being those prescribed for western trunk-line zone I]

Classification and territory	Class	Number of ratings	Rate	Classification and territory	Class	Number of ratings	Rate
Southern	100	201	112	Southern	60	2,938	45
Western	100	200	97		55	36	53
	85	1	82		45	859	44
Southern	85	589	98		40	17	39
	100	1	97		37½	2,961	36
Western	85	578	82	Western	35	7	34
	70	1	68		32½	17	32
Southern	70	1,512	74		30	6	29
	85	14	82		22½	2	22
Western	70	1,496	68		17½	2	17
Southern	55	2	53	Southern	35	338	39
	55	2,192	62		45	8	44
	70	49	68		37½	336	36
Western	55	2,135	53	Western	35	1	34
	45	3	34		32½	5	32
	42½	1	41		22½	2	22
	40	1	39		17½	1	17
	37½	2	36	Southern	30	618	34
	32½	1	32		55	7	53
Southern	45	1,105	50		45	2	44
	70	6	68		37½	140	36
	55	131	53	Western	32½	132	32
Western	45	957	44		30	268	29
	40	2	39		22½	24	22
	37½	5	36		17½	6	17
	32½	3	32	Southern	22½	176	25
	30	2	29		37½	8	36
	22½	2	22	Western	32½	22	32
	17½	1	17		30	24	29
					22½	118	22
					17½	7	17

[1] As in effect Mar. 17, 1942.

APPENDIX 4

ANALYSIS OF CLASSIFICATIONS, ANY-QUANTITY AND LESS-THAN-CARLOAD RATINGS

Kind and number of any-quantity and less-than-carload ratings in official, southern and western classifications, respectively, their distribution into the different classes, and comparison, class for class, of the ratings in official with corresponding ratings in southern and western classifications. Total numbers of ratings in each class in the respective classifications are also stated.

Record shows the source of these data as Consolidated Freight Classification No. 15, comprising Official Classification No. 59, Agent A. R. Greenley's I. C. C.-O. C. No. 59, Southern Classification No. 58, Agent E. H. Dulaney's I. C. C. No. 88, and Western Classification No. 70, Agent R. C. Fyfe's I. C. C. No. 28, as amended in effect on Aug. 3, 1942]

Official	Number of ratings		Southern	4t1 (400)		3t1 (300)		2½t1 (250)		D1 (200)		1½t1 (175)		1½t1 (150)		1¼t1 (125)		110		1 (100)	
Class and percentage			Western	4t1 (400)		3t1 (300)		2½t1 (250)		D1 (200)		1½t1 (175)		1½t1 (150)		1¼t1 (125)		110		1 (100)	
	AQ	LCL		AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL
4t1 (400)		2	Sou		2																
			West		2																
3t1 (300)	6	18	Sou			6	16														
			West			6	18														
2½t1 (250)	1	21	Sou					1	21												
			West					1	21												
D1 (200)	4	357	Sou							4	356										
			West							4	357										
1½t1 (175)		13	Sou										13								
			West										13								
1½t1 (150)	2	483	Sou											2	482						
			West											2	483						
1¼t1 (125)		99	Sou														99				
			West														99				
110		1	Sou																1		
			West																1		
1 (100)	34	2,094	Sou																	31	2,075
			West																	33	2,078
2 (85)	15	2,674	Sou																		
			West																		
3 (70)	15	2,717	Sou																		
			West																		
60		14	Sou																		
			West																		
57		1	Sou																		
			West																		
R26 (55)		617	Sou																		
			West																		
4 (50)	3	996	Sou																		
			West																		
40		33	Sou																		
			West																		
IC	2	4	Sou																		
			West																		
NR		5	Sou																		
			West																		
NT	1	2	Sou																	3	
			West			1															
Totals	83	10,151	Sou		2	6	16	1	21	4	356		13	2	482		99		1	31	2,075
			West		2	7	18	1	21	4	357		13	2	483		99		1	33	2,081

Kind and number of any-quantity and less-than-carload ratings in official, southern, and western classifications—Continued.

Class and percentage	Number of ratings		Official			Southern			2 (85)		3 (70)		4 (55)		50		5 (45)		6 (40)		8 (30)		IC		NR		NT	
						Western			2 (85)		3 (70)		4 (55)												NR		NT	
	AQ	LCL							AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL	AQ	LCL
4t1 (400)		2				Sou																						
						West																						2
3t1 (300)	6	18				Sou																						
						West																						
2½t1 (250)	1	21				Sou																						
						West																						
D1 (200)	4	357				Sou																		1				
						West																						
1¾t1 (175)		13				Sou																						
						West																						1
1½t1 (150)	2	483				Sou																						
						West																						
1¼t1 (125)		99				Sou																						
						West																						
110		1				Sou																						
						West																						
1 (100)	34	2,094				Sou				5		2	3	7				2		1				2				
						West	1	4				10		2														1
2 (85)	15	2,674				Sou	13	2,601				21	1	42		2		2	1	5								1
						West	15	2,626				29		18														
3 (70)	15	2,717				Sou					7	2,390	8	278		8		26		14				1				
						West					15	2,572		145														
60		14				Sou						2		12														
						West						4		10														
57		1				Sou								1														
						West								1														
R26 (55)		617				Sou		1		2		566		2		27		19						1				
						West		1		2		613												1				
4 (50)	3	996				Sou				2		11	3	682		134		162		4				1				
						West		1		3	3	992																
40		33				Sou												33										
						West						33																
IC	2	4				Sou																	2	3				
						West		1	1		1																	
NR		5				Sou		1		1				1											2			
						West		1		1		1													2			
NT	1	2				Sou																				1	2	
						West																					2	
Totals	83	10,151				Sou	13	2,606	7	2,420	12	917	3	695		791	1	234		4	2	6		4	1	6		
						West	16	2,634	16	2,621	4	1,815												3		3		

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262 I. C. C.

Explanation of abbreviations and characters used in this appendix:
Sou. means southern classification.
West. means western classification.
4t1 means 4 times first class.
3t1 means 3 times first class.
2½t1 means 2½ times first class.
D1 means double first class.
1¾t1 means 1¾ times first class.
1½t1 means 1½ times first class.
1¼t1 means 1¼ times first class.
R26 means rule 26 rating.
AQ means any quantity.
LCL means less carloads.

Numerals greater than 8 (except R26) appearing in the headings of columns or in the first column, and standing alone, are the percentages of first class as specified in the respective classification; and those enclosed in parentheses immediately after the regular numbered class ratings are the percentages of first class prescribed in eastern, southern, and western trunk-line-southwestern revisions for class rates governed by official, southern, and western classifications, respectively. Percentages existing in mountain-Pacific territory differ on certain classes from those prescribed in the western revision and are not covered in this appendix.

IC means that the items covered are subject to the rates and regulations of individual carriers.

NR means that there are no ratings on the items covered.

NT means that the items covered are not taken by carriers.

APPENDIX 5

Analysis of classifications, carload ratings

KIND AND NUMBER OF CARLOAD RATINGS IN OFFICIAL, SOUTHERN, AND WESTERN CLASSIFICATIONS, RESPECTIVELY, THEIR DISTRIBUTION INTO THE DIFFERENT CLASSES, AND COMPARISON, CLASS FOR CLASS, OF THE RATINGS IN OFFICIAL WITH CORRESPONDING RATINGS IN SOUTHERN AND WESTERN CLASSIFICATIONS. TOTAL NUMBERS OF RATINGS IN EACH CLASS IN THE RESPECTIVE CLASSIFICATIONS ARE ALSO STATED

[Record shows the source of these data as Consolidated Freight Classification No. 15, comprising Official Classification No. 59, Agent A. R. Greenley's I. C. C.-O. C. No. 59, Southern Classification No. 58, Agent E. H. Dulaney's I. C. C. No. 88, and Western Classification No. 70, Agent R. C. Fyfe's I. C. C. No. 28, as amended in effect on August 3, 1942]

Official		Sou.	D1 (200)	1½t1 (150)	1¾t1 (125)	1 (100)	2 (85)	77½	75	3 (70)	70	65	60	4 (55)	55	50	5 (45)
Class and percentage	Number of ratings	West.	D1 (200)	1½t1 (150)	1¾t1 (125)	1 (100)	2 (85)	77½	75	3 (70)	70	65	60	4 (55)	55	50	A (45)
D1 (200)	5	Sou	3	1		1											
		West	3	1			1										
1½t1 (150)	3	Sou		1		1	1										
		West		1		1				1							
1¾t1 (125)	19	Sou			18		1										
		West			18		1										
1 (100)	215	Sou				199	7		2	5							
		West				204	7			3				1			
2 (85)	767	Sou				1	575	24		161				4			
		West				1	588	24		38	114						1
75	2	Sou							2								
		West							2								
3 (70)	1,437	Sou					1			1,329	1	11	1	73			10
		West					1			1,348	35	11		29			8
70	2	Sou									2						
		West									2						
65	6	Sou											4	2			
		West								5				1			
60	3	Sou											1	2			
		West											1	2			
R26 (55)	1,245	Sou								19				1,158		19	30
		West								19				1,154	19	19	31
55	25	Sou												2	23		
		West												4	21		
4 (50)	1,106	Sou								3				810		72	200
		West								4				997		36	78
50	22	Sou														21	
		West														21	
45	335	Sou												8			315
		West												8			322
40	1,105	Sou								1				3			288
		West								1				5			984
37½	706	Sou												7			95
		West												8			109
5 (35)	2,710	Sou												34			190
		West												36			309
32½	7	Sou															
		West															
30	89	Sou															
		West															
6 (27½)	679	Sou															
		West															
25	34	Sou															1
		West															
22½	20	Sou															
		West															
20	1	Sou															
		West															
IC	10	Sou															
		West															
NR	9	Sou								3							1
		West												3			
Totals	10,682	Sou	3	2	18	202	585	24	4	1,518	3	11	6	2,186	23	112	1,129
		West	3	2	18	206	598	24	2	1,422	151	11	1	2,248	40	76	1,843

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Analysis of classifications, carload ratings—Continued

Official		Sou.	45		6 (40)	40	37½	7 (35)	35	32½	8 (30)	27½	9 (25)	10 (22½)	11 (20)	12 (17½)	IC	NR
Class and percentage	Number of ratings	West.	45	42½		40	5 (37½)		35	B (32½)	C (30)			D (22½)		E (17½)		NR
D1 (200)	5	Sou																
		West																
1½t1 (150)	3	Sou																
		West																
1¼t1 (125)	19	Sou																
		West															2	
1 (100)	215	Sou																
		West						1		1							1	
2 (85)	767	Sou																
		West																
75	2	Sou																
		West															3	1
3 (70)	1,437	Sou			5		1	1										2
		West					3											
70	2	Sou																
		West																
65	6	Sou																
		West																
60	3	Sou																
		West																
R26 (55)	1,245	Sou			13		3				3							
		West					2			1								
55	25	Sou																
		West																
4 (50)	1,166	Sou	4		60		9	1			5							2
		West	7	1		3	29		4	2	4							1
50	22	Sou									1							
		West									1							
45	335	Sou			11	1												
		West	1			1	3											
40	1,105	Sou			785	24	2	1	1									
		West				32	82		1									
37½	766	Sou	1		561		90	10								2		
		West	1				644			2						2		
5 (35)	2,710	Sou			1,646		58	380		107	204	38	13	36	1	2		1
		West					2,116		3	133	83			23		7		
32½	7	Sou								5	1			1				
		West								6	1							
30	89	Sou			13						72	3		1				
		West					21			12	50					6		
6 (27½)	679	Sou			35		2	5		28	350	46	25	108	33	77		
		West					83			136	243			112		102		2
25	34	Sou									1		8	24		1		
		West					3				6			25				
22½	20	Sou												14	2	4		
		West												14		6		
20	1	Sou													1			
		West												1				
IC	10	Sou						1						4			4	
		West					2			1				4				
NR	9	Sou								1			2					3
		West												2				4
Totals	10,692	Sou	5		3,129	25	165	400	1	141	637	57	48	188	37	86	10	7
		West	9	1		36	2,988		8	294	388			181		123		9

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Explanation of abbreviations and characters used in this appendix:

Sou. means southern classification.
West. means western classification.
D1 means double first class.
1½t1 means 1½ times first class.
1¼t1 means 1¼ times first class.
R26 means rule 26 rating.

Numerals greater than 12 (except R26) appearing in the headings of columns or in the first column, and standing alone, are the percentages of first class as specified in the respective classifications; and those enclosed in parentheses immediately after the regular numbered or lettered class ratings are the percentages of first class prescribed in eastern, southern, and western trunk-line-southwestern revisions for class rates governed by official, southern, and western classifications, respectively. Percentages existing in mountain-Pacific territory differ on certain classes from those prescribed in the western revisions and are not covered in this appendix.

IC means that the items covered are subject to the rates and regulations of individual carriers.

NR means that there are no ratings on the items covered.

APPENDIX 6

TABLE I.—*Average rating assigned to items of various weights per cubic foot*

Weight per cubic foot	Average percent of first class					
	Less-than-carload ratings			Carload ratings		
	First period [1]	Second period [2]	Third period [3]	First period [1]	Second period [2]	Third period [3]
Official classification						
Under 10 pounds	129.3	106.4	111.9	66.5	48.1	67.6
10 pounds and under 20	91.2	81.1	83.4	48.3	42.9	49.4
20 pounds and under 30	82.1	78.9	76.6	43.2	40.0	43.6
30 pounds and under 40	78.6	75.3	73.5	42.7	38.4	40.8
40 pounds and under 50	77.1	71.0	66.7	42.0	40.3	38.7
50 pounds and under 60	80.3	71.1	64.8	41.3	39.0	37.3
60 pounds and under 70	76.0	65.3	65.1	41.3	38.7	35.6
Southern classification						
Under 10 pounds	128.0	109.0	109.7	67.5	52.9	66.2
10 pounds and under 20	93.7	82.8	82.5	53.4	48.0	49.3
20 pounds and under 30	83.6	79.0	73.4	47.5	44.8	43.1
30 pounds and under 40	80.0	74.3	70.8	47.8	43.3	41.5
40 pounds and under 50	78.3	71.1	64.4	47.1	46.5	39.0
50 pounds and under 60	83.1	70.0	63.8	47.6	40.2	37.2
60 pounds and under 70	79.0	63.2	62.0	47.6	41.4	37.3
Western classification						
Under 10 pounds	129.6	108.3	111.6	68.0	57.2	66.3
10 pounds and under 20	94.1	83.3	82.9	52.5	50.0	51.3
20 pounds and under 30	85.0	80.1	74.9	48.4	45.2	45.3
30 pounds and under 40	82.8	75.2	72.9	47.1	43.8	42.8
40 pounds and under 50	79.4	72.6	66.7	47.3	46.4	40.3
50 pounds and under 60	83.0	70.2	65.6	46.4	41.0	38.5
60 pounds and under 70	79.4	65.3	67.7	47.4	45.2	37.6

[1] From June 30, 1928, to Dec. 31, 1930.
[2] From Dec. 24, 1936, to May 31, 1940.
[3] From June 1, 1940, to Sept. 30, 1942.

TABLE II.—*Average rating assigned to items of various values per pound*

Value per pound	Average percent of first class					
	Less-than-carload ratings			Carload ratings		
	First period [1]	Second period [2]	Third period [3]	First period [1]	Second period [2]	Third period [3]
Official classification						
Under 10 cents	69.8	68.9	62.4	36.2	35.5	35.5
10 cents and under 20	85.3	75.8	69.7	44.6	39.7	40.7
20 cents and under 30	92.1	82.0	77.9	54.7	41.5	47.2
30 cents and under 40	92.8	86.4	84.6	49.7	45.3	49.6
40 cents and under 50	101.7	93.2	85.4	55.3	46.8	51.2
50 cents and under 60	111.5	89.5	90.0	60.4	45.5	54.4
Southern classification						
Under 10 cents	72.3	68.1	59.4	41.5	38.3	34.6
10 cents and under 20	86.9	77.3	68.5	50.5	43.7	41.3
20 cents and under 30	94.3	84.1	75.5	55.1	45.8	47.6
30 cents and under 40	96.8	87.7	83.0	55.0	56.6	50.4
40 cents and under 50	103.2	85.4	81.8	59.8	55.6	51.3
50 cents and under 60	115.8	88.4	90.0	63.5	52.5	53.9
Western classification						
Under 10 cents	74.2	66.[illegible]	63.[illegible]	40.8	39.5	36.5
10 cents and under 20	87.7	78.3	70.2	49.7	46.5	42.4
20 cents and under 30	95.2	85.4	77.6	53.6	51.8	49.5
30 cents and under 40	96.6	87.8	84.6	54.8	59.9	51.4
40 cents and under 50	106.7	87.7	84.0	60.1	54.4	53.3
50 cents and under 60	110.1	88.4	90.0	63.7	53.6	54.4

[1] From June 30, 1928, to Dec. 31, 1930.
[2] From Dec. 24, 1936, to May 31, 1940.
[3] From June 1, 1940, to Sept. 30, 1942.

APPENDIX 7

TABLE I.—*Less-than-carload ratings—average by classes of weights per cubic foot and values per pound*

Class (regular and percentage)	First period [1]		Second period [2]		Third period [3]	
	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound
Official classification						
D1 (200)	7.53	37.66				
1½ (150)	9.73	35.18				
1 (100)	24.04	30.96	14.33	29.58	14.96	57.54
2 (85)	30.70	18.85	24.07	22.52	22.48	34.63
3 (70)	41.43	8.78	36.92	10.57	38.76	14.63
R26 (55)			42.35	5.12	46.03	7.47
4 (50)	53.79	3.39			55.84	4.32
Southern classification						
D1 (200)	7.77	38.14				
1½ (150)	10.82	33.55				
1 (100)	25.19	30.26	14.68	28.54	14.72	56.97
2 (85)	30.89	18.24	26.12	21.94	22.19	35.31
3 (70)	38.67	8.37	38.48	11.45	38.76	15.12
4 (55)	51.23	4.45	42.46	4.34	44.29	8.04
50					56.26	4.77
Western classification						
D1 (200)	9.26	41.00				
1½ (150)	10.80	32.99				
1 (100)	25.34	29.71	14.24	29.05	14.97	57.54
2 (85)	31.16	17.40	26.33	21.72	22.59	35.20
3 (70)	39.50	7.81	38.87	11.68	38.28	14.52
4 (55)	53.80	4.18	46.28	4.14	45.60	6.44

[1] From June 30, 1928, to Dec. 31, 1930.
[2] From Dec. 24, 1936, to May 31, 1940.
[3] From June 1, 1940, to Sept. 30, 1942.

TABLE II.—*Carload ratings—average by classes of weights per cubic foot and values per pound*

Class (regular and percentage)	First period [1]		Second period [2]		Third period [3]	
	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound	Pounds per cubic foot	Cents per pound
Official classification						
2 (85)	4.21	22.10				
3 (70)	24.51	34.81			14.09	55.80
R26 (55)	34.69	24.18	23.28	22.95	23.03	34.23
4 (50)	32.01	18.80			30.26	26.51
45					30.99	22.59
40			38.09	19.93	34.11	22.36
37½			38.85	15.50		
5 (35)	35.61	9.67	32.78	5.82	41.40	10.15
6 (27½)	45.06	1.95			43.34	2.25
Southern classification						
2 (85)	8.56	48.20				
3 (70)	23.52	34.45	18.14	27.38	13.28	51.90
4 (55)	32.16	20.14	26.69	21.32	22.86	32.54
5 (45)	29.57	13.51	24.93	15.90	29.05	23.13
6 (40)	41.09	6.96	38.14	8.92	36.82	14.19
37½					42.04	11.97
7 (35)					43.70	9.92
8 (30)	38.91	2.62	32.70	2.90	38.19	3.37
Western classification						
2 (85)	8.31	44.42				
3 (70)	24.30	31.52	18.86	28.75	13.99	52.15
4 (55)	32.69	20.30	27.09	20.99	23.10	32.63
A (45)	27.24	14.16	29.64	13.46	30.35	21.86
40	39.80	8.04				
5 (37½)			40.15	7.41	41.22	10.39
B (32½)						
C (30)	48.77	2.02	43.94	2.24	43.82	3.03

[1] From June 30, 1928, to Dec. 31, 1930.
[2] From Dec. 24, 1936, to May 31, 1940.
[3] From June 1, 1940, to Sept. 30, 1942.

APPENDIX 8

Principal intraterritorial scales for class 100 (first class) rates, including the general 10-percent increase of 1938

[Rates are stated in cents per 100 pounds]

Distances, in miles (from preceding through distance stated)	Official territory		Southern territory		Western trunk-line territory		Southwestern territory
	Eastern	New England zone A [1]	K-2 [2]	Border area [3]	Zone I	Zone II	Zone III [4]
5	33	36	37	40	35	37	40
10	34	36	40	40	36	40	42
15	36	39	43	42	39	42	45
20	37	40	45	44	40	44	47
25	40	42	48	46	42	46	51
30	41	43	51	48	44	50	54
35	43	45	54	51	46	52	56
40	44	46	56	53	48	55	60
45	46	48	59	55	51	57	63
50	47	50	62	57	53	61	66
55	50	52	65	59	55	63	69
60	51	53	67	62	57	65	70
65	53	55	70	64	59	68	74
70	54	56	73	66	62	70	76
75	56	59	75	68	64	73	79

See footnotes at end of table.

Principal intraterritorial scales for class 100 (first class) rates, including the general 10-percent increase of 1938—Continued

[Rates are stated in cents per 100 pounds]

Distances, in miles (from preceding through distance stated)	Official territory		Southern territory		Western trunk-line territory		Southwestern territory
	Eastern	New England zone A [1]	K-2 [2]	Border area [3]	Zone I	Zone II	Zone III [4]
80	57	61	77	70	66	75	81
85	58	62	79	73	68	77	84
90	59	63	80	75	70	79	86
95	61	64	81	77	72	81	88
100	62	65	84	79	73	83	90
110	64	67	87	83	76	86	94
120	66	69	90	86	78	89	97
130	68	72	94	89	81	92	100
140	70	74	97	92	84	95	103
150	73	76	100	96	86	98	107
160	74	77	103	99	88	100	110
170	76	79	106	102	90	103	113
180	77	81	108	106	92	106	117
190	79	84	110	109	95	109	120
200	80	85	112	112	97	111	123
210	83	87	114	114	99	113	125
220	84	88	117	117	101	116	128
230	86	90	119	119	102	118	130
240	87	91	121	121	105	121	133
250	90	93	125	125	109	125	138
260	92	97	130	130	113	131	143
300	96	100	134	134	117	134	147
320	98	102	139	139	121	139	153
340	101	107	143	143	125	143	157
360	103	109	147	147	130	147	163
380	106	111	152	152	133	152	167
400	109	114	156	156	136	156	172
420	111	117	160	161	141	161	177
440	114	120	163	165	145	165	183
460	117	122	166	169	150	169	187
480	119	124	169	174	153	174	191
500	122	129	173	178	156	178	196
520	124	131	176	182	161	183	201
540	128	134	179	185	165	187	206
560	130	136	183	188	168	191	211
580	132	139	186	191	173	196	216
600	135	142	189	195	176	200	220
620	138	144	193	198	180	205	226
640	141	147	196		185	209	230
660	143	151	199		188	213	234
680	145	153	202		193	218	240
700	149	156	206		196	222	244
720	151	158	209		199	226	249
740	153	161	212		201	229	252
760	155	163	216		205	232	256
780	157	165	219		208	235	260
800	160	167	222		210	239	263
825	163		226		215	243	268
850	165		229		218	248	273
875	168		232		222	252	277
900	171		235		226	256	282
925	174		239		230	261	287
950	176		242		233	265	292
975	179		245		237	270	296
1,000	182		249		240	273	300
1,025	185		252		244	277	306
1,050	187		255		248	282	310
1,075	190		259		252	286	315
1,100	193		262		255	290	319

See footnotes at end of table.

Principal intraterritorial scales for class 100 (first class) rates, including the general 10-percent increase of 1938—Continued

[Rates are stated in cents per 100 pounds]

Distances, in miles (from preceding through distance stated)	Official territory		Southern territory		Western trunk-line territory		Southwestern territory
	Eastern	New England zone A [1]	K-2 [2]	Border area [3]	Zone I	Zone II	Zone III [4]
1,125	196		265		260	295	325
1,150	198		268		263	299	329
1,175	201		272		266	304	333
1,200	204		275		270	307	338
1,225	207		278		274	311	343
1,250	209		282		277	316	348
1,275	212		285		282	320	352
1,300	215		288		285	325	356
1,325	218		292		289	329	362
1,350	220		295		293	333	366
1,375	223		298		296	338	371
1,400	226		301		299	341	375
1,425	229		305		304	345	381
1,450	231		308		307	350	385
1,475	234		311		311	354	389
1,500	237		315		315	359	394

[1] New England zone B scale is 10 percent higher than the zone A scale.
[2] Scale prescribed as increased 10 percent. On July 7, 1941, the carriers voluntarily reduced the rates throughout southern territory for distances from 0 through 190 miles to basis of the border-area scale shown in the next column of this table.
[3] Scale prescribed in the area of southern territory bordering on official territory.
[4] This scale applies also zone III of western trunk-line territory. Southwestern zone IV scale, 15 percent higher than zone III scale, is not shown because carriers have abandoned it in favor of the latter scale.

APPENDIX 9

FIRST-CLASS RATES BETWEEN REPRESENTATIVE POINTS THROUGHOUT THE TERRITORIES EMBRACED IN THE PROCEEDING

[Distances stated are those computed over the shortest possible rail routes by which cars may be moved without transfer of lading; "Present rates" and "Eastern scale" are first-class rates in effect Apr. 1, 1943, but exclusive of the temporary general increase then also in effect but suspended May 15, 1943]

TABLE I.—*Intraterritorially*

Between official territory	And official territory																											
	Baltimore, Md.		Bangor, Maine		Boston, Mass.		Charleston, W. Va.		Chicago, Ill.		Dayton, Ohio		Detroit, Mich.		Louisville, Ky.		Montpelier, Vt.		New York, N. Y.		Pittsburgh, Pa.		Richmond, Vt.		St. Louis, Mo.		Syracuse, N. Y.		Terre Haute, Ind.	
	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate	Distance	Present rate
Baltimore, Md.			663	152	428	114	432	110	767	154	535	125	508	122	682	145	530	134	201	83	313	98	165	76	882	168	364	106	716	151
Bangor, Maine	663	152			242	101	1,075	180	1,179	189	1,046	178	896	168	[1] 1,209	194	278	110	438	131	871	167	808	169	1,380	212	534	134	1,213	193
Boston, Mass.	428	114	242	101			840	155	973	169	837	158	708	143	[1] 1,010	174	202	95	247	95	663	139	573	122	1,174	193	328	101	936	173
Charleston, W. Va.	432	110	1,075	180	840	155			460	119	211	84	358	103	273	101	903	155	613	133	290	96	385	106	542	130	599	132	386	109
Chicago, Ill.	767	154	1,179	189	973	169	460	119			250	90	267	92	291	96	948	169	800	167	454	117	825	156	278	92	645	138	177	77
Dayton, Ohio	535	125	1,046	178	837	158	211	84	250	90			199	80	[1] 164	77	812	158	690	145	254	90	576	129	349	103	508	121	182	79
Detroit, Mich.	508	132	896	168	708	143	358	103	267	92	199	80			[1] 354	103	657	143	632	135	291	96	707	143	475	119	379	106	321	101
Louisville, Ky.	682	145	[1] 1,209	194	[1] 1,010	174	273	101	291	96	[1] 164	77	[1] 354	103			[1] 976	174	[1] 835	164	429	114	697	144	264	92	[1] 673	141	186	74
Montpelier, Vt.	530	134	278	110	202	95	903	155	948	169	812	158	657	143	[1] 976	174			329	112	652	141	676	153	1,150	193	318	105	910	173
New York, N. Y.	201	83	438	131	247	95	613	133	800	167	690	145	632	135	[1] 835	164	329	112			436	114	346	103	1,040	184	280	92	871	167
Pittsburgh, Pa.	313	98	871	167	663	139	290	96	454	117	254	90	291	96	[1] 436	114	652	141	436	114			416	111	604	138	370	106	435	114
Richmond, Va.	165	76	808	169	573	132	385	106	825	156	576	129	707	143	697	144	676	153	346	103	416	111			909	169	510	128	751	152
St. Louis, Mo.	882	168	1,380	212	1,174	193	542	130	278	92	349	103	475	119	264	92	1,150	193	1,040	184	604	138	909	169			846	160	168	76
Syracuse, N. Y.	364	106	534	134	328	101	599	132	645	138	508	121	379	106	[1] 673	141	318	105	280	92	370	106	510	128	846	160			677	141
Terre Haute, Ind.	716	151	1,213	193	936	173	386	109	177	77	182	79	321	101	186	74	910	173	871	167	435	114	751	152	168	76	677	141		

[1] Short-line distance computed partially over Louisville & Nashville Railroad.

TABLE 1.—*Interterritorially*—Continued

Between southern territory	And southern territory																	
	Atlanta, Ga.			Charleston, S. C.			Jackson, Miss.			Jacksonville, Fla.			Johnson City, Tenn.			Louisville, Ky.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga				308	139	98	414	160	111	331	148	101	302	139	98	451	166	117
Charleston, S. C	308	139	98				678	202	145	232	121	87	379	152	106	689	206	149
Jackson, Miss	414	160	111	678	202	145				584	189	135	609	193	138	564	85	132
Jacksonville, Fla	331	143	101	232	121	87	584	189	135				527	179	128	782	219	160
Johnson City, Tenn	302	139	98	379	152	106	609	193	138	527	179	128				347	147	103
Louisville, Ky	451	166	117	689	206	149	564	186	132	782	219	160	347	147	103			
Memphis, Tenn	417	160	111	725	212	153	211	117	84	667	202	145	530	179	128	377	149	106
Miami, Fla	681	230	149	598	212	135	927	266	176	366	175	106	893	[1] 259	171	1,130	293	198
Montgomery, Ala	172	106	77	430	163	114	248	125	90	336	143	101	453	166	117	489	173	122
Nashville, Tenn	289	134	96	597	189	135	410	160	111	620	193	138	322	152	101	187	109	79
New Orleans, La	490	173	122	748	216	155	180	106	77	608	193	138	715	209	151	747	216	155
Raleigh, N. C	415	163	111	247	125	90	825	229	163	472	169	119	329	143	101	667	171	145

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Between southern territory	And southern territory																	
	Memphis, Tenn.			Miami, Fla.			Montgomery, Ala.			Nashville, Tenn.			New Orleans, La.			Raleigh, N. C.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga	417	160	111	681	230	149	172	106	77	289	134	96	490	173	122	415	163	111
Charleston, S. C	725	212	153	598	212	135	430	163	114	597	189	135	748	216	155	247	125	90
Jackson, Miss	211	117	84	927	266	176	248	125	90	410	160	111	180	106	77	825	229	163
Jacksonville, Fla	667	202	145	366	175	106	336	143	101	620	193	138	608	193	138	472	169	119
Johnson City, Tenn	530	179	128	893	[1] 259	171	453	166	117	322	152	101	715	209	151	329	143	101
Louisville, Ky	377	149	106	1,130	293	198	489	173	122	187	109	79	747	216	155	667	171	145
Memphis, Tenn				1,008	276	185	331	143	101	230	119	86	391	156	109	823	226	163
Miami, Fla	1,008	276	185				677	227	145	970	270	179	917	264	174	838	252	165
Montgomery, Ala	331	143	101	677	227	145				302	139	98	318	139	98	587	189	135
Nashville, Tenn	230	119	86	970	270	179	302	139	98				539	183	130	614	202	138
New Orleans, La	391	156	109	917	264	174	318	139	98	539	183	130				905	239	174
Raleigh, N. C	823	226	163	838	252	165	587	189	135	614	202	138	905	239	174			

[1] Rate applicable north-bound; south-bound rate is 257 cents.

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TABLE I—*Intraterritorially*—Continued

Between western trunk-line territory	And western trunk-line territory																														
	Aberdeen, S. Dak.			Alliance, Nebr.			Cedar Rapids, Iowa			Denver, Colo.			Duluth, Minn.			Fargo, N. Dak.			Green Bay, Wis.			Kansas City, Mo.			Kearney, Nebr.			Minneapolis, Minn.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak				526	205	128	461	165	119	765	257	157	364	151	106	152	100	74	561	190	132	550	185	130	495	177	122	273	131	92
Alliance, Nebr	526	205	128				657	220	143	238	133	87	865	267	168	677	235	145	955	268	179	548	204	130	260	138	90	715	233	151
Cedar Rapids, Iowa	461	165	119	657	220	143				787	248	160	381	133	109	475	167	119	329	121	107	290	117	96	430	158	114	244	105	90
Denver, Colo	765	257	157	238	133	87	787	248	160				994	279	182	915	283	174	1,085	293	193	620	222	138	357	163	108	845	257	165
Duluth, Minn	364	151	106	865	267	168	381	133	109	994	279	182				252	125	90	300	117	96	623	180	141	638	200	141	150	[1] 80	73
Fargo, N. Dak	152	100	74	677	235	145	475	167	119	915	283	174	252	125	90				519	175	124	669	208	145	614	202	138	232	119	87
Green Bay, Wis	561	190	132	955	268	179	329	121	101	1,085	293	193	300	117	96	519	175	124				590	169	135	728	215	153	288	117	96
Kansas City, Mo	550	185	130	548	204	130	290	117	96	620	222	138	623	180	141	589	206	145	590	169	135				294	134	96	478	153	119
Kearney, Nebr	495	177	122	260	138	90	430	158	114	357	163	103	638	200	141	614	202	138	728	215	153	294	134	96				488	172	122
Minneapolis, Minn	273	131	92	715	232	151	244	105	90	845	257	165	150	[1] 80	73	232	119	87	288	117	96	478	153	119	488	172	122			
Minot, N. Dak	264	143	92	791	261	160	708	227	151	1,028	308	187	486	185	122	233	129	87	752	232	155	815	249	163	760	244	155	465	180	119
Omaha, Nebr	365	150	106	413	173	111	257	169	90	538	202	128	486	156	122	483	171	122	557	168	130	191	95	80	186	109	79	341	130	103
Rapid City, S. Dak	347	160	103	178	117	77	653	219	143	416	177	111	676	229	145	499	190	122	858	256	168	708	228	151	438	183	114	570	208	132
St. Louis, Mo	738	212	153	809	248	163	290	112	96	890	268	171	671	179	145	765	216	157	458	123	117	272	113	92	566	190	132	534	160	128
Sault Ste. Marie, Mich	767	226	157	1,208	306	207	602	173	138	1,337	332	220	409	141	111	656	205	143	273	113	92	863	217	168	980	252	182	491	156	122
Scott City, Kans	799	250	160	570	216	132	666	218	145	332	157	101	943	265	176	919	271	174	977	263	182	374	164	106	410	173	111	793	244	160
Sioux Falls, S. Dak	182	109	79	545	202	130	303	121	98	674	232	145	343	147	103	306	139	98	501	156	124	373	133	106	318	136	98	227	105	86
Springfield, Mo	742	221	155	719	238	151	442	156	117	733	246	153	797	221	160	861	238	168	698	201	149	192	111	80	464	174	119	653	199	143
Trinidad, Colo	973	295	179	447	187	117	908	272	174	209	125	83	1,162	312	201	1,124	320	196	1,207	312	207	617	222	138	565	216	132	1,012	290	185
Wichita, Kans	657	218	143	538	200	128	491	176	122	512	201	124	789	230	160	776	239	157	790	224	160	200	117	80	284	140	96	645	208	143

[1] Rate applicable on less than carloads of less-than 6,000 pounds; on less than carloads of greater weight and on carloads rate is 64 cents.

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Between western trunk-line territory	And western trunk-line territory																														
	Minot, N. Dak.			Omaha, Nebr.			Rapid City, S. Dak.			St. Louis, Mo.			Sault Ste. Marie, Mich.			Scott City, Kans.			Sioux Falls, S. Dak.			Springfield, Mo.			Trinidad, Colo.			Wichita, Kans.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak	264	143	92	368	150	106	347	160	103	738	212	153	767	226	157	799	230	160	182	109	79	742	221	155	973	295	179	657	218	143
Alliance, Nebr	791	261	160	413	173	111	178	117	77	809	248	163	1,208	306	207	570	216	132	545	202	130	719	238	151	447	187	117	538	200	128
Cedar Rapids, Iowa	708	227	151	257	109	90	653	219	143	290	112	96	602	178	138	666	218	145	303	121	98	442	156	117	908	272	176	491	176	122
Denver, Colo	1,028	308	187	538	202	128	416	177	111	890	268	171	1,337	332	220	332	157	101	674	232	145	733	246	153	209	125	83	512	201	124
Duluth, Minn	486	185	122	486	[1] 186	122	676	229	145	671	179	145	409	141	111	943	265	176	343	[1] 147	[1] 103	797	221	160	1,162	312	201	789	230	160
Fargo, N. Dak	233	129	87	483	171	122	499	190	122	765	216	157	656	205	143	919	271	174	306	139	98	861	238	168	1,124	320	196	776	239	157
Green Bay, Wis	752	232	155	557	168	130	858	256	168	458	132	117	373	113	92	977	263	182	501	156	124	698	201	149	1,207	312	207	790	224	160
Kansas City, Mo	815	249	163	191	95	80	708	228	151	272	113	92	863	217	168	374	164	106	373	133	106	192	111	80	617	222	138	200	117	80
Kearney, Nebr	760	244	155	186	109	79	438	183	114	566	190	132	980	252	152	410	173	111	318	136	98	464	174	119	565	216	132	284	140	96
Minneapolis, Minn	465	180	119	341	130	103	570	208	122	534	160	128	491	155	122	793	244	160	377	105	86	653	199	143	1,012	290	185	646	208	143
Minot, N. Dak				630	219	141	612	222	138	998	265	182	588	254	171	1,064	304	190	44	122	117	1,007	277	185	1,237	345	209	922	274	174
Omaha, Nebr	630	219	141				523	197	128	413	141	111	822	215	163	457	182	117	188	95	79	385	145	109	694	241	149	318	144	98
Rapid City, S. Dak	612	222	138	523	197	128				919	268	174	1,061	267	190	749	256	155	358	160	103	900	261	171	625	220	141	717	243	151
St. Louis, Mo	998	265	182	413	141	111	919	256	174				731	193	153	638	220	141	564	167	132	239	87	87	878	267	171	457	172	117
Sault Ste. Marie, Mich	886	234	171	822	215	163	1,061	267	190	731	193	153				1,250	305	209	723	199	133	971	245	179	1,480	354	257	1,063	267	190
Scott City, Kans	1,064	304	190	457	182	117	749	256	155	638	220	141	1,250	305	209				622	219	141	468	186	119	271	143	92	220	128	84
Sioux Falls, S. Dak	447	152	117	188	98	79	358	160	103	564	167	132	723	199	153	622	219	141				568	180	122	842	264	165	480	178	119
Springfield, Mo	1,007	277	185	385	145	109	900	261	171	239	87	87	971	245	179	668	186	119	565	180	122				701	241	151	259	131	90
Trinidad, Colo	1,237	345	209	694	241	149	625	230	141	878	267	171	1,490	354	237	271	143	92	842	264	165	701	241	151				480	178	119
Wichita, Kans	922	274	174	315	144	98	717	243	151	457	172	117	1,083	267	190	220	128	84	490	178	119	259	131	90	446	187	117			

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TABLE I—*Intraterritorially*—Continued

Between southwestern territory	And southern territory																	
	Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.			Houston, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Alpine, Tex.				546	211	130	676	240	145	497	196	122	221	132	86	509	220	135
Amarillo, Tex.	546	211	130				873	277	168	367	168	106	444	184	117	696	220	135
Brownsville, Tex.	676	240	145	873	277	168				541	211	130	897	282	171	358	163	103
Dallas, Tex.	497	196	122	367	168	106	541	211	130				646	235	143	242	139	90
El Paso, Tex.	221	132	86	444	184	117	897	282	171	646	235	143				820	268	163
Houston, Tex.	509	220	135	696	220	135	358	163	103	242	139	90	820	268	163			
Little Rock, Ark.	828	273	165	627	230	141	794	263	160	332	158	101	976	300	182	435	187	114
Memphis, Tenn.	960	294	179	760	253	155	912	285	174	463	193	119	1,108	322	196	554	209	130
New Orleans, La.	948	288	176	853	271	168	708	245	151	491	200	122	1,136	325	198	349	157	103
Oklahoma City, Okla.	609	225	138	274	144	92	742	256	155	228	132	86	718	248	151	465	192	119
San Antonio, Tex.	393	172	109	587	220	135	296	148	96	275	144	92	615	225	138	206	127	83
Shreveport, La.	688	244	149	553	211	130	591	220	135	191	124	80	836	273	165	232	139	87
Sweetwater, Tex.	304	153	98	242	139	90	636	230	141	233	134	87	412	177	111	406	177	111

Between southwestern territory	And southwestern territory																	
	Little Rock, Ark.			Memphis, Tenn.			New Orleans, La.			Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Alpine, Tex.	828	273	165	960	294	179	948	288	176	609	225	138	393	172	109	688	244	149	304	153	98
Amarillo, Tex.	627	230	141	760	253	155	853	271	168	274	144	92	587	220	135	553	211	130	242	139	90
Brownsville, Tex.	194	263	160	912	285	174	708	245	151	742	256	155	296	148	96	591	220	135	636	230	141
Dallas, Tex.	332	158	101	463	193	119	491	200	122	228	132	86	276	144	92	191	124	80	233	134	87
El Paso, Tex.	976	300	182	1,108	322	196	1,136	325	198	718	248	151	615	225	138	836	273	165	412	177	111
Houston, Tex.	435	187	114	554	209	130	349	157	103	465	192	119	206	127	83	232	139	87	408	177	111
Little Rock, Ark.				133	103	70	437	174	114	353	163	103	575	216	132	203	127	83	564	216	132
Memphis, Tenn.	133	103	70				(1)	(1)	(1)	485	193	122	706	245	151	321	154	101	696	241	149
New Orleans, La.	437	174	114	(1)	(1)	(1)				670	234	145	553	206	130	306	149	98	724	246	153
Oklahoma City, Okla.	353	163	103	485	193	122	670	234	145				477	192	119	369	168	106	308	153	98
San Antonio, Tex.	575	216	132	706	245	151	553	206	130	477	192	119				402	177	111	349	163	103
Shreveport, La.	203	127	83	321	154	101	306	149	98	369	168	106	402	177	111				424	182	114
Sweetwater, Tex.	564	216	132	696	241	149	724	246	153	308	153	98	349	163	103	424	182	114			

[1] Shown in table of distances and rates between points in southern territory.

TABLE II.—*Intraterritorially*

Between official territory	And southern territory																	
	Atlanta, Ga.			Charleston, S. C.			Jackson, Miss.			Jacksonville, Fla.			Johnson City, Tenn.					
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale			
Baltimore, Md	686	[1] 196	149	560	[1] 169	130	1,060	253	190	792	204	160	449	121	117			
Bangor, Maine	1,335	252	220	1,201	[1] 228	207	1,702	[1] 303	262	1,434	[1] 259	231	1,092	204	193			
Boston, Mass	1,094	230	193	968	206	179	1,467	282	234	1,199	238	204	857	174	168			
Charleston, W. Va	553	186	130	599	188	135	841	232	165	909	226	163	290	105	96			
Chicago, Ill	728	210	153	968	249	182	738	206	153	1,059	263	190	638	166	141			
Dayton, Ohio	529	183	128	758	215	155	728	209	153	860	239	168	416	134	111			
Detroit, Mich	728	211	153	981	234	176	904	232	174	1,052	266	190	596	164	135			
Montpelier, Vt	1,197	248	204	1,078	223	193	1,570	299	245	1,297	255	215	960	191	179			
New York, N. Y	873	212	168	740	187	153	1,240	257	209	972	220	179	630	147	141			
Pittsburgh, Pa	773	229	157	791	207	160	973	242	179	1,018	239	185	533	144	128			
Richmond, Va	542	183	130	404	156	109	958	245	179	921	187	141	352	105	103			
St. Louis, Mo	609	193	138	917	244	174	517	178	124	915	245	174	611	174	138			
Syracuse, N. Y	1,029	235	187	914	212	174	1,237	270	209	1,131	244	198	752	163	155			
Terre Haute, Ind	553	187	130	845	234	165	580	186	132	885	240	171	503	154	124			

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Between official territory	And southern territory—Continued																	
	Memphis, Tenn.			Miami, Fla.			Montgomery, Ala.			Nashville, Tenn.			New Orleans, La.			Raleigh, N. C.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	971	234	179	1,152	273	201	858	221	168	771	216	157	1,164	262	201	322	117	101
Bangor, Maine	1,578	[1] 289	248	1,795	[1] 329	270	1,501	[1] 275	240	1,394	[1] 274	226	1,807	[1] 312	273	965	201	179
Boston, Maine	1,372	267	223	1,560	307	245	1,267	253	212	1,180	252	204	1,572	290	245	730	167	153
Charleston, W. Va	641	190	143	1,175	298	201	685	209	149	451	165	117	943	242	176	403	128	111
Chicago, Ill	527	164	128	1,409	333	229	744	210	155	440	152	114	912	237	174	861	189	168
Dayton, Ohio	541	167	130	1,230	309	207	632	199	141	361	143	103	890	240	171	611	157	138
Detroit, Mich	705	190	151	1,409	338	229	834	228	165	541	172	130	1,080	263	193	761	177	157
Montpelier, Vt	1,348	285	220	1,663	325	256	1,370	271	223	1,164	270	201	1,675	368	256	833	183	165
New York, N. Y	1,160	252	201	1,333	289	220	1,040	237	187	952	233	179	1,345	276	220	503	141	124
Pittsburgh, Pa	755	200	160	1,370	308	223	876	239	171	595	178	135	1,134	273	198	557	147	120
Richmond, Va	578	235	171	987	272	182	714	206	151	670	209	145	1,032	255	187	157	94	74
St. Louis, Mo	296	136	96	1,251	316	212	576	189	132	320	136	98	687	209	149	930	197	176
Syracuse, N. Y	1,044	231	187	1,497	314	237	1,144	253	198	860	211	168	1,399	288	226	667	161	145
Terre Haute, Ind	378	144	106	1,234	310	209	567	187	132	265	129	92	768	217	157	782	177	160

[1] Combination rate.

TABLE II.—*Intraterritorially*—Continued

Between official territory	And western trunk-line territory																																							
	Aberdeen, S. Dak.			Alliance, Nebr.			Cedar Rapids, Iowa			Denver, Colo.			Duluth, Minn.			Fargo, N. Dak.			Green Bay, Wis.			Kansas City, Mo.			Kearney, Nebr.			Minneapolis, Minn.												
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale										
Baltimore, Md	1,423	293	229	1,626	345	283	979	193	182	1,743	371	284	1,194	237	204	1,392	288	226	909	172	174	1,134	234	198	1,399	288	226	1,155	233	201										
Bangor, Maine	1,745	337	264	2,055	393	300	1,398	232	226	2,182	420	314	1,484	272	237	1,700	325	250	1,197	198	204	1,605	284	251	1,828	337	275	1,469	272	234										
Boston, Mass	1,537	315	242	1,849	371	275	1,192	212	204	1,976	398	292	1,270	250	215	1,493	303	237	991	175	182	1,399	262	226	1,622	315	251	1,263	230	212										
Charleston, W. Va	1,121	256	196	1,300	304	215	667	157	145	1,413	327	220	913	216	174	1,091	252	193	658	145	143	803	193	163	1,074	245	190	861	199	168										
Chicago, Ill	661	201	145	876	254	171	219	100	84	1,006	279	185	453	151	117	631	198	141	198	87	80	437	143	114	649	197	143	401	139	111										
Dayton, Ohio	911	230	174	1,098	278	193	457	132	117	1,209	304	207	703	180	151	880	228	171	447	121	117	599	165	135	869	223	168	650	175	143										
Detroit, Mich	871	220	168	1,142	285	198	485	135	122	1,270	309	212	618	168	138	829	217	165	332	106	107	694	178	149	915	230	174	601	164	138										
Louisville, Ky	932	240	176	1,097	281	193	472	144	119	1,155	305	201	743	196	155	922	234	174	489	177	122	537	158	128	830	230	165	692	185	149										
Montpelier, Vt	1,494	315	237	1,824	371	273	1,167	212	201	1,954	398	289	1,139	250	198	1,384	303	226	963	175	179	1,382	263	226	1,597	315	248	1,221	250	207										
New York, N. Y	1,466	304	234	1,764	360	267	1,108	204	196	1,886	385	281	1,208	239	207	1,422	294	229	920	172	174	1,288	248	215	1,537	303	242	1,193	239	204										
Pittsburgh, Pa	1,115	256	196	1,329	308	229	673	161	145	1,451	332	231	891	200	171	1,079	250	193	596	142	135	852	197	168	1,102	251	196	848	196	165										
Richmond, Va	1,486	304	237	1,666	350	256	1,036	196	187	1,778	371	270	1,278	248	215	1,456	299	234	1,012	176	185	1,169	237	201	1,439	292	231	1,220	241	209										
Syracuse, N. Y	1,209	274	207	1,521	330	240	864	177	168	1,648	358	253	948	209	176	1,165	262	201	663	145	145	1,071	221	190	1,294	273	215	936	209	176										
Terre Haute, Ind	795	220	160	947	262	176	335	118	101	1,040	284	187	629	177	141	805	220	163	374	119	106	430	139	114	705	210	151	575	164	132										

Between official territory	And western trunk-line territory																																							
	Minot, N. Dak.			Omaha, Nebr.			Rapid City, S. Dak.			Sault Ste. Marie, Mich.			Scott City, Kans.			Sioux Falls, S. Dak.			Springfield, Mo.			Trinidad, Colo.			Wichita, Kans.															
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale														
Baltimore, Md	1,618	340	251	1,220	244	207	1,630	347	253	938	185	176	1,507	328	240	1,280	258	215	1,130	245	198	1,780	371	284	1,333	285	220														
Bangor, Maine	1,838	375	275	1,654	290	256	1,997	387	292	902	208	179	1,978	380	292	1,647	297	253	1,619	310	251	2,227	420	319	1,804	336	273														
Charleston, W. Va	1,726	353	264	1,448	268	231	1,791	366	270	925	187	174	1,772	358	267	1,441	275	221	1,413	288	229	2,018	398	295	1,598	314	248														
Chicago, Ill	1,324	304	218	895	206	171	1,328	306	220	718	167	151	1,177	262	204	977	218	182	781	208	160	1,420	327	229	999	242	182														
Dayton, Ohio	864	264	198	476	153	119	888	253	188	471	154	119	810	240	183	519	161	124	518	172	124	1,053	289	190	636	200	141														
Detroit, Mich	1,113	279	196	690	180	149	1,110	282	196	554	149	130	972	257	179	709	193	155	588	179	135	1,216	304	207	790	217	160														
Louisville, Ky	1,064	266	190	742	187	155	1,107	278	196	570	122	108	1,067	270	190	758	190	145	718	200	151	1,219	304	207	790	217	160														
Montpelier, Vt	1,155	286	201	877	184	145	1,135	283	196	655	178	143	993	266	174	775	198	157	593	168	126	1,144	300	198	721	218	153														
New York, N. Y	1,617	353	251	1,424	288	229	1,765	366	267	731	187	153	1,785	358	267	1,415	273	229	1,399	288	226	1,998	398	293	1,581	314	248														
Pittsburgh, Pa	1,466	345	256	1,261	268	223	1,718	385	282	894	185	171	1,662	343	256	1,369	264	223	1,280	270	215	1,906	398	284	1,488	309	237														
Richmond, Va	1,311	303	218	933	207	174	1,330	307	218	647	158	143	1,226	282	209	973	218	179	843	216	168	1,668	382	284	1,052	242	234														
Syracuse, N. Y	1,589	351	259	1,260	249	212	1,685	352	259	1,082	196	190	1,542	326	242	1,235	261	220	1,147	256	198	1,788	371	270	1,366	285	228														
Terre Haute, Ind	1,398	312	236	1,094	229	198	1,464	335	254	671	151	145	1,442	317	231	1,115	234	196	1,086	248	193	1,687	356	269	1,270	273	213														
	1,038	270	187	543	163	130	966	266	182	868	168	135	804	240	163	639	177	141	468	153	111	1,047	286	187	626	201	141														

TABLE II.—*Interterritorially*—Continued

Between official territory	And southwestern territory																					
	Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.			Houston, Tex.			Little Rock, Ark.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	1,928	438	286	1,664	359	236	1,848	439	275	1,432	340	202	2,076	443	293	1,490	336	223	1,101	270	196
Bangor, Maine	2,496	497	347	2,131	411	306	2,462	494	344	2,000	397	279	2,537	501	352	2,102	413	291	1,699	329	234
Boston, Mass	2,290	471	325	1,925	389	284	2,256	466	322	1,794	375	264	2,330	475	335	1,987	391	275	1,488	312	220
Charleston, W. Va	1,610	350	251	1,330	315	218	1,952	381	245	1,114	294	196	1,724	367	251	1,204	304	213	1,011	270	179
Chicago, Ill	1,365	348	254	969	287	197	1,307	355	229	904	261	174	1,369	351	243	1,035	304	210	708	227	157
Dayton, Ohio	1,466	347	254	1,121	287	196	1,578	359	231	970	273	179	1,445	371	243	1,079	304	210	1,011	270	179
Detroit, Mich	1,612	381	281	1,219	307	204	1,738	370	238	1,116	273	179	1,627	394	258	1,216	304	210	1,011	270	179
Montpelier, Vt	2,269	473	322	1,912	394	264	2,235	456	293	1,773	360	236	2,344	488	319	1,576	391	270	1,488	312	220
New York, N. Y	2,121	456	306	1,815	375	273	2,036	437	297	1,635	342	224	2,223	469	307	1,391	372	257	1,488	312	220
Pittsburgh, Pa	1,720	401	269	1,280	302	220	1,740	369	241	1,242	304	210	1,980	422	276	1,327	354	245	1,011	270	179
Richmond, Va	1,538	435	292	1,038	365	265	1,740	369	241	1,242	304	210	1,980	422	276	1,327	354	245	1,011	270	179
Syracuse, N. Y	1,902	430	289	1,497	365	265	1,740	369	241	1,242	304	210	1,980	422	276	1,327	354	245	1,011	270	179
Terre Haute, Ind	1,206	344	213	981	308	179	1,262	342	213	800	251	160	1,363	349	223	903	270	174	1,011	270	179

Between official territory	And southwestern territory																					
	Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.			Texarkana, Tex.			Tucumcari, N. Mex.			Wichita Falls, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Baltimore, Md	1,433	315	238	1,675	366	246	1,266	310	215	1,664	377	256	1,433	315	238	1,101	270	196	1,433	315	238
Bangor, Maine	1,914	421	284	2,262	494	319	1,870	458	317	2,222	503	341	1,914	421	284	1,699	329	234	1,914	421	284
Boston, Mass	1,781	391	264	2,096	457	297	1,677	410	284	2,016	456	309	1,781	391	264	1,488	312	220	1,781	391	264
Charleston, W. Va	1,081	237	161	1,357	311	197	1,174	287	199	1,357	307	208	1,081	237	161	1,011	270	179	1,081	237	161
Chicago, Ill	778	171	116	1,012	231	146	1,012	248	171	1,012	229	156	778	171	116	1,011	270	179	778	171	116
Dayton, Ohio	1,057	232	157	1,357	311	197	1,174	287	199	1,357	307	208	1,057	232	157	1,011	270	179	1,057	232	157
Detroit, Mich	1,057	232	157	1,357	311	197	1,174	287	199	1,357	307	208	1,057	232	157	1,011	270	179	1,057	232	157
Montpelier, Vt	1,576	345	234	1,952	447	284	1,568	384	266	1,952	441	299	1,576	345	234	1,488	312	220	1,576	345	234
New York, N. Y	1,391	305	207	1,740	398	253	1,568	384	266	1,740	393	267	1,391	305	207	1,488	312	220	1,391	305	207
Pittsburgh, Pa	1,327	291	198	1,740	398	253	1,568	384	266	1,740	393	267	1,327	291	198	1,488	312	220	1,327	291	198
Richmond, Va	1,327	291	198	1,740	398	253	1,568	384	266	1,740	393	267	1,327	291	198	1,488	312	220	1,327	291	198
Syracuse, N. Y	1,327	291	198	1,740	398	253	1,568	384	266	1,740	393	267	1,327	291	198	1,488	312	220	1,327	291	198
Terre Haute, Ind	903	270	174	1,262	342	213	1,011	270	179	1,262	342	213	903	270	174	1,011	270	179	903	270	174

TABLE II.—*Intraterritorially*—Continued

Between southern territory	And western trunk-line territory																																	
	Aberdeen, S. Dak.			Alliance, Nebr.			Cedar Rapids, Iowa			Denver, Colo.			Duluth, Minn.			Fargo, N. Dak.			Green Bay, Wis.			Kansas City, Mo.			Kearney, Nebr.			Minneapolis Minn.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga	1,317	309	219	1,415	345	229	990	233	168	1,432	364	231	1,177	277	204	1,330	310	220	924	241	174	879	240	171	1,100	294	201	1,094	270	193
Charleston, S. C	1,615	358	251	1,723	399	262	1,156	289	201	1,740	416	284	1,437	322	231	1,606	355	251	1,175	279	201	1,187	294	204	1,408	348	234	1,372	315	228
Jackson, Miss	1,216	298	207	1,300	326	204	792	233	169	1,213	340	207	1,137	271	198	1,399	303	213	930	238	176	674	228	145	945	281	176	1,030	262	197
Jacksonville, Fla	1,638	304	253	1,665	401	256	1,191	293	204	1,682	416	259	1,508	334	240	1,661	369	256	1,255	209	212	1,130	294	198	1,410	350	229	1,425	328	229
Johnson City, Tenn	1,276	297	215	1,419	349	229	817	206	163	1,302	361	240	1,088	261	193	1,269	294	212	833	210	165	883	238	171	1,176	289	204	1,033	251	187
Miami, Fla	1,979	443	292	2,006	481	295	1,533	363	242	2,023	495	293	1,837	416	278	2,037	449	295	1,604	375	251	1,471	374	234	1,751	428	267	1,771	409	267
Montgomery	1,302	306	218	1,329	341	220	856	233	166	1,346	352	220	1,190	281	204	1,330	311	220	937	243	176	794	235	160	1,074	286	190	1,094	272	193
Nashville, Tenn	1,028	257	187	1,126	294	198	571	171	132	1,208	314	207	888	224	171	1,041	264	187	635	180	141	590	184	135	853	244	171	805	216	163
Raleigh, N. C	1,520	325	240	1,605	365	259	1,056	237	190	1,809	393	273	1,311	279	218	1,492	320	237	1,058	223	190	1,199	262	204	1,409	311	234	1,256	273	212

262 I. C. C.

Between southern territory	And western trunk-line territory																																	
	Minot, N. Dak.			Omaha, Nebr.			Rapid City, S. Dak.			Sault Ste. Marie, Mich.			Scott City, Kans.			Sioux Falls, S. Dak.			Springfield Mo.			Trinidad, Colo.			Wichita, Kans.					
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale			
Atlanta, Ga	1,568	380	245	1,019	261	185	1,005	353	240	1,079	265	193	1,165	321	201	1,151	279	201	698	235	149	1,398	304	226	957	283	179			
Charleston, S. C	1,840	404	275	1,327	316	229	1,309	406	273	1,296	293	215	1,473	372	254	1,459	330	234	1,006	268	185	1,605	416	259	1,288	333	212			
Jackson, Miss	1,480	351	237	856	249	168	1,373	340	223	1,176	278	204	918	288	174	1,039	267	187	492	190	122	1,015	323	185	701	246	151			
Jacksonville, Fla	1,894	418	281	1,312	316	218	1,625	411	273	1,410	314	229	1,415	363	229	1,471	334	234	948	270	176	1,601	416	251	1,267	321	207			
Johnson City, Tenn	1,501	343	240	1,023	266	185	1,470	344	234	917	213	174	1,249	314	209	1,120	266	196	811	238	163	1,490	361	237	1,067	275	190			
Miami, Fla	2,340	466	319	1,653	398	256	2,166	490	311	1,780	403	267	1,736	447	267	1,812	414	273	1,289	330	216	1,942	491	286	1,648	407	242			
Montgomery, Ala	1,563	359	245	976	256	182	1,216	304	207	842	216	165	945	288	176	882	227	168	612	216	138	1,265	352	212	871	270	168			
Nashville, Tenn	1,274	308	212	730	209	153	1,018	304	207	642	216	165	945	288	176	882	227	168	477	184	119	1,178	314	204	737	239	153			
Raleigh, N. C	1,734	369	262	1,289	275	215	1,719	372	262	1,116	234	196	1,568	345	245	1,369	287	223	1,104	262	196	1,804	393	273	1,363	306	223			

TABLE 11.—*Interterritorially*—Continued

	Between southern territory	And southwestern territory																			
		Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.			Houston, Tex.			Little Rock, Ark.		
		Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Atlanta, Ga		1,319	345	218	1,177	328	204	1,198	330	204	922	261	163	1,467	396	234	930	260	165	846	257	160
Charleston, S. C		1,565	390	246	1,450	373	231	1,456	375	234	1,098	309	193	1,723	431	264	1,037	301	179	957	257	160
Jackson, Miss		935	268	174	770	257	157	760	261	160	457	179	111	1,054	310	193	631	179	114	657	188	117
Jacksonville, Fla		1,491	381	237	1,356	356	218	1,310	350	218	904	260	163	1,630	415	253	967	279	179	1,030	274	170
Johnson City, Tenn		1,460	380	237	1,320	340	204	1,268	370	226	965	256	163	1,458	415	253	1,030	274	170	1,030	274	170
Louisville, Ky		1,357	350	220	1,047	281	167	1,035	345	215	839	256	165	1,960	503	292	1,030	274	170	1,030	274	170
Miami, Fla		1,633	420	272	1,097	287	167	1,035	345	215	1,335	363	220	2,304	590	364	1,030	274	170	1,030	274	170
Montgomery, Ala		1,155	301	201	1,030	281	167	1,035	345	215	657	242	143	1,930	496	308	1,030	274	170	1,030	274	170
Nashville, Tenn		1,190	304	201	1,030	281	167	1,035	345	215	653	231	149	1,930	496	308	1,030	274	170	1,030	274	170
Raleigh, N. C		1,734	435	304	1,653	385	246	1,619	404	251	1,257	329	209	1,852	454	281	1,360	356	226	1,360	356	226

	Between southern territory	And southwestern territory																			
		Houston, Tex.			Little Rock, Ark.			Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.				
		Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale		
Atlanta, Ga		930	260	165	846	257	160	1,000	272	174	1,033	286	187	631	219	141	1,085	301	190		
Charleston, S. C		1,037	301	193	957	257	160	1,045	284	182	1,088	301	196	807	279	179	1,137	315	198		
Jackson, Miss		631	179	114	657	188	117	816	221	141	1,000	276	179	657	227	146	1,000	276	179		
Jacksonville, Fla		967	279	179	1,030	274	170	1,000	272	174	1,033	286	187	1,144	396	254	1,085	301	190		
Johnson City, Tenn		1,030	274	170	1,030	274	170	1,000	272	174	1,033	286	187	1,000	276	179	1,085	301	190		
Louisville, Ky		1,030	274	170	1,030	274	170	1,000	272	174	1,033	286	187	1,000	276	179	1,085	301	190		
Miami, Fla		1,030	274	170	1,030	274	170	1,000	272	174	1,033	286	187	1,000	276	179	1,085	301	190		
Montgomery, Ala		1,030	274	170	1,030	274	170	1,000	272	174	1,033	286	187	1,000	276	179	1,085	301	190		
Nashville, Tenn		1,030	274	170	1,030	274	170	1,000	272	174	1,033	286	187	1,000	276	179	1,085	301	190		
Raleigh, N. C		1,360	362	224	1,360	362	224	1,320	358	230	1,360	376	246	1,320	364	236	1,360	376	246		

TABLE II.—*Intraterritorially*—Continued

Between western trunk-line territory	And southwestern territory																	
	Alpine, Tex.			Amarillo, Tex.			Brownsville, Tex.			Dallas, Tex.			El Paso, Tex.			Houston, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak	1,394	367	226	983	287	183	1,562	392	245	1,034	289	187	1,378	366	226	1,278	334	215
Alliance, Nebr	1,168	332	201	676	240	145	1,143	382	231	937	282	176	946	290	176	1,166	328	201
Cedar Rapids, Iowa	1,219	331	207	819	251	163	1,317	350	218	774	244	157	1,223	332	207	1,016	288	185
Denver, Colo	930	291	176	438	182	114	1,311	361	218	805	265	163	708	248	151	1,034	310	187
Duluth, Minn	1,518	373	240	1,115	294	196	1,641	395	253	1,099	292	193	1,510	373	240	1,342	337	220
Fargo, N. Dak	1,512	383	240	1,101	304	196	1,680	409	259	1,167	306	201	1,496	383	237	1,393	350	226
Green Bay, Wis	1,518	369	240	1,115	289	196	1,592	384	248	1,058	281	190	1,522	372	240	1,234	312	209
Kansas City, Mo	929	288	176	526	199	128	1,023	305	187	484	195	122	933	288	176	726	246	153
Kearney, Nebr	1,020	303	185	609	218	138	1,188	333	204	682	233	149	989	298	182	911	282	174
Minneapolis, Minn	1,373	353	223	971	274	179	1,499	374	237	954	272	179	1,366	353	223	1,196	317	204
Minot, N. Dak	1,659	437	266	1,248	358	209	1,827	458	275	1,290	355	215	1,643	437	253	1,544	400	242
Omaha, Nebr	1,052	309	190	641	226	143	1,215	332	207	672	229	145	1,036	305	187	914	275	174
Rapid City, S. Dak	1,346	366	220	854	275	168	1,522	415	251	1,116	316	196	1,124	324	196	1,345	362	220
St. Louis, Mo	1,142	319	198	782	244	160	1,136	325	209	655	229	143	1,194	324	204	777	253	157
Sault Ste. Marie, Mich	1,792	407	270	1,389	326	226	1,864	422	278	1,331	318	220	1,796	408	270	1,507	349	240
Scott City, Kans	897	287	171	350	163	103	1,112	324	196	606	217	138	732	252	153	835	273	165
Sioux Falls, S. Dak	1,216	334	207	806	254	163	1,384	359	226	860	256	168	1,201	333	207	1,102	301	196
Springfield, Mo	903	285	174	569	210	132	959	294	179	416	178	111	1,012	303	185	658	239	143
Trinidad, Colo	721	252	153	253	139	90	1,126	329	198	620	223	138	499	196	122	849	277	165
Wichita, Kans	737	252	153	326	157	101	906	287	174	399	169	109	755	256	155	628	232	141

Between western trunk-line territory	And southwestern territory																	
	Little Rock, Ark.			Memphis, Tenn.			New Orleans, La.			Oklahoma City, Okla.			San Antonio, Tex.			Shreveport, La.			Sweetwater, Tex.		
	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale	Distance	Present rate	Eastern scale
Aberdeen, S. Dak	1,013	281	185	1,023	280	185	1,414	325	229	828	254	165	1,304	341	218	1,109	301	196	1,090	309	193
Alliance, Nebr	949	286	176	998	290	182	1,341	354	220	710	240	151	1,178	330	204	1,037	299	187	971	287	179
Cedar Rapids, Iowa	634	206	141	581	183	135	971	257	179	633	213	141	1,051	297	190	795	246	160	915	271	174
Denver, Colo	957	296	179	1,015	297	185	1,291	366	215	683	244	149	1,025	310	185	991	300	182	681	244	149
Duluth, Minn	1,015	290	185	932	234	176	1,317	299	218	964	260	179	1,376	343	226	1,174	297	201	1,213	315	207
Fargo, N. Dak	1,109	299	196	1,055	266	190	1,404	334	229	947	272	176	1,414	358	229	1,228	317	209	1,208	325	207
Green Bay, Wis	800	225	160	726	198	153	1,110	267	196	920	254	176	1,334	333	220	997	265	182	1,215	312	207
Kansas City, Mo	463	183	119	473	185	119	864	255	168	340	155	101	761	253	157	560	207	130	625	223	141
Kearney, Nebr	693	238	149	743	245	155	1,086	306	193	455	179	117	925	284	174	808	252	162	715	243	151
Minneapolis, Minn	878	245	171	826	223	165	1,217	292	207	790	240	160	1,230	323	209	1,031	283	187	1,089	295	190
Minot, N. Dak	1,270	329	212	1,269	311	212	1,660	382	256	1,094	323	193	1,561	407	245	1,367	366	228	1,354	378	223
Omaha, Nebr	648	218	143	653	211	143	1,044	275	187	486	186	122	949	279	176	750	239	153	747	249	155
Rapid City, S. Dak	1,428	320	198	1,162	303	201	1,519	366	240	888	274	171	1,358	364	223	1,215	333	207	1,097	323	193
St. Louis, Mo	344	154	103	296	136	96	587	209	135	541	197	130	917	279	174	845	262	130	800	263	168
Sault Ste. Marie, Mich	1,072	263	190	980	238	182	1,371	305	223	1,203	290	207	1,603	370	251	1,270	303	212	1,488	349	237
Scott City, Kans	663	234	145	748	250	155	1,055	306	190	389	167	109	847	273	165	750	254	155	593	220	135
Sioux Falls, S. Dak	841	248	165	859	228	168	1,243	294	207	650	221	143	1,119	308	196	936	268	176	912	276	174
Springfield, Mo	315	150	98	281	146	96	672	231	145	302	150	98	694	242	149	440	185	114	610	222	138
Trinidad, Colo	874	277	168	981	267	182	1,106	330	196	528	206	128	840	277	165	809	268	163	495	196	122
Wichita, Kans	445	185	117	540	200	128	838	270	169	171	118	77	639	232	141	532	204	128	433	183	114

APPENDIX 10

Scale of first-class rates (class 100)

[Prescribed for application in all territory covered by No. 28300]

Miles	Rate	Miles	Rate	Miles	Rate	Miles	Rate	Miles	Rate
5	40	160	82	580	152	1,150	234	1,775	311
10	43	170	84	600	155	1,175	237	1,800	313
15	46	180	86	620	158	1,200	240	1,825	316
20	48	190	88	640	161	1,225	244	1,850	319
25	50	200	90	660	164	1,250	247	1,875	322
30	52	210	92	680	167	1,275	250	1,900	324
35	54	220	94	700	170	1,300	253	1,925	327
40	56	230	96	720	173	1,325	257	1,950	330
45	58	240	98	740	176	1,350	260	1,975	332
50	60	250	102	760	179	1,375	263	2,000	334
55	61	260	106	780	182	1,400	266	2,025	337
60	62	300	110	800	185	1,425	269	2,050	340
65	63	320	113	825	189	1,450	272	2,075	342
70	64	340	116	850	193	1,475	275	2,100	344
75	65	360	119	875	196	1,500	278	2,125	347
80	66	380	122	900	199	1,525	281	2,150	349
85	67	400	125	925	203	1,550	284	2,175	351
90	68	420	128	950	207	1,575	287	2,200	353
95	69	440	131	975	210	1,600	290	2,250	357
100	70	460	134	1,000	213	1,625	293	2,300	361
110	72	480	137	1,025	217	1,650	296	2,350	365
120	74	500	140	1,050	221	1,675	299	2,400	368
130	76	520	143	1,075	224	1,700	302	2,450	372
140	78	540	146	1,100	227	1,725	305	2,500	375
150	80	560	149	1,125	231	1,750	308		

U. S. GOVERNMENT PRINTING OFFICE: 1945

EXHIBIT 2

INTERSTATE COMMERCE COMMISSION

No. 28300

CLASS RATE INVESTIGATION, 1939

No. 28310

CONSOLIDATED FREIGHT CLASSIFICATION

Decided October 30, 1945

On reconsideration, the findings in No. 28300 with respect to the ad interim class rate revision made in prior report, 262 I. C. C. 447, Part II, page 700, and Part III, pages 702-706, and the order with respect thereto, are modified as follows:

1. Class rates: (1) on coastwise or intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports); and (2) on coastwise or intercoastal traffic moving through south Atlantic and Gulf ports where such rates are specifically published as coastwise or intercoastal class rates, are excepted.

2. Class rates from and to points in the Southwest, which are subject to the Deming, N. Mex., rates as maxima, (1) where the Deming rates are held as maxima by means of a tariff rule, the rule may continue to apply to the class rates reduced 10 per cent; and (2) where the rates are published specifically in amounts per 100 pounds, subject to the Deming rates as maxima, the class rates shall be recomputed on the zone III basis, the rates thus arrived at reduced 10 per cent, and further reduced to the Deming rates as maxima.

3. Findings with respect to class rates to or from points on short or weak lines modified to authorize the addition of existing arbitraries, reduced by 10 per cent.

4. Certain subnormal class rates applicable within and between southwestern and western trunk-line territories,

established to meet intrastate class rates or motor carrier or other competition, excepted in certain respects.

5. Extended zone C in Wisconsin is to be treated as a part of official territory with respect to rates between that extended zone and the remainder of official territory, except with respect to rates between Illinois territory and extended zone C.

6. Class rates governed by the official classification between Owensboro, Ky., and stations on lines of the Louisville and Nashville Railroad in official territory, including Cincinnati, Ohio, and Evansville, Ind., are excepted.

7. Reduced class rates not required to be applied over generally unused routes in instances where there are over other routes going commodity, column, or exception rates between the same points.

8. Petitions, insofar as they relate to the interim adjustment, are denied in all other respects.

9. Ultimate findings in part II, page 700, amended by adding to finding 1 thereof, a finding that the intraterritorial class rates, except as noted, within official and Illinois territories, are less than just and reasonable rates.

FIRST SUPPLEMENTAL REPORT OF THE COMMISSION

BY THE COMMISSION:

These two proceedings were instituted upon our own motion, and the original report therein was made on May 15, 1945, in 262 I. C. C. 447. The order entered on that date required the respondent carriers by railroad, during an interim period, to increase class rates 10 per cent within official territory and to reduce class rates 10 per cent in other territories and on interterritorial traffic (except within and to and from mountain-Pacific territory). By the terms of the order, as amended by order of July 25, 1945, the carriers were required to establish the new rates effective November 30, 1945, upon statutory notice. By order entered

October 26, 1945, the effective date was postponed to January 1, 1946, upon like notice.

Certain petitions [1] were filed by respondent carriers and other parties requesting modification of our findings and order. We have given further consideration to the matters presented in those petitions.

Coastwise and intercoastal class rates

In our report at page 515, we said:

> Owing to the war, practically all water carriers which have participated in joint rates with the railroads have suspended operations because their vessels have been taken over by the Government for war purposes. The lack of evidence respecting such rates is doubtless due to this fact. As the present record is inadequate upon which to prescribe reasonable and otherwise lawful all-water or rail-water rates, no findings will be

[1] Petitions were filed by the Southwestern Steering Committee on behalf of the States of Arkansas, Kansas, Louisiana, Oklahoma, and Texas; the Commonwealth of Kentucky and the Railroad Commission of Kentucky; the States of New York, New Jersey, Pennsylvania, and Maryland, and various chambers of commerce and commercial organizations in eastern trunk-line territory; the State of Ohio; the Governor of the State of Indiana; the Governors of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut, and the New England Traffic League et al.; the Corporation Commission of the State of New Mexico; the Public Service Commission of Wisconsin; the Central Territory Rate Conference; the Minneapolis Traffic Association; the North Atlantic Ports Conference; southern industrial interests; the motor carrier interveners; and all the respondent railroads. Replies to one or more of these petitions were filed by the Southern Governors' Conference; the States of Arkansas, Kansas, Louisiana, Nebraska, North Dakota, South Dakota, Oklahoma, and Texas, represented by the Steering Committee for those States, and certain commercial interests therein; the State of Florida, the Railroad Commission of Florida, and certain commercial organizations in Florida; North Dakota interests, including the Attorney General and Public Service Commission of the State of North Dakota and certain commercial organizations in North Dakota; the American Cotton Manufacturers' Association et al.; the Green Bay Association of Commerce et al.; the Wichita (Kans.) Chamber of Commerce; the official territory lines; and the class I western railroad respondents.

made with respect thereto, and they will not be discussed further in this report.

Railroad class rates applicable on interstate traffic to or from the Atlantic and Gulf of Mexico ports, carried from or to those ports by carriers by water in interstate commerce, were not specifically excepted from the interim order. Those rates, referred to as coastwise and intercoastal rates, are not published as joint rates with the carriers by water, and, therefore, are not, strictly speaking, rail-water rates. Respondent railroads request us to modify our interim order so as to except, in certain requests, their coastwise and intercoastal rates from its requirements. The respondent railroads in all three classification territories request us to modify our findings and interim order, so as not to require any change to be made in the class rates specifically published for application on coastwise and intercoastal traffic to or from the south Atlantic and Gulf ports. Specific coastwise and intercoastal class rates are now published between such ports and Ohio River crossings (including intermediate points in southern territory where the Ohio River crossing rates are held as maxima), Chicago, Ill., St. Louis, Mo., and certain territory north of the Ohio River roughly described as lying west of the Chicago-Indianapolis-Cincinnati line.

Generally, the domestic class rates, governed by the southern classification, are applicable to and from southern ports (either with or without the addition of so-called port charges) on coastwise and intercoastal traffic, in the absence of class rates specifically published to apply on that traffic. This situation generally obtains on coastwise and intercoastal traffic between ports and interior southern points, from and to which the specific intercoastal rates do not produce lower rates; also on coastwise traffic from Ohio River to south Atlantic and Gulf ports. As to such class rates when applicable on coastwise and intercoastal traffic, no modification of our interim order is requested.

The existing specifically published coastwise and intercoastal class rates to and from the south Atlantic and Gulf

ports are generally the same as the export and import rates from and to the same points, and are made with direct relation to the rates to and from the north Atlantic ports. For example, those so published from Chicago to south Atlantic and Gulf ports are the same as those so published from Chicago to Baltimore, and they are governed by official classification. The same is true of specifically published coastwise and intercoastal class rates from Cincinnati, Ohio.

It is apparent that an increase of 10 per cent within official territory and a decrease of 10 per cent between points in official territory and the south Atlantic and Gulf ports would disrupt the present relations of the rates to and from the ports. The railroads and the water carriers, and presumably the shippers, desire to retain those relations. We are of the opinion that their continuance during the interim period will be in the public interest, and will be just and reasonable.

Respondent railroads in official and western classification territories have filed a separate petition concerning the coastwise and intercoastal class rates to and from the north Atlantic ports (including the Virginia ports). Coastwise and intercoastal rates to and from the north Atlantic ports are generally the same as the import and export rates. The latter were specifically excepted from our findings and interim order. Respondents state that they made their coastwise and intercoastal class rates to and from the north Atlantic ports the same as the export and import rates in order to maintain the established port rate relations, because from a competitive standpoint this traffic has the same characteristics as import and export traffic. As between the north Atlantic ports themselves, a 10 per cent increase from points of origin in official territory and a 10 per cent reduction from western trunk-line territory origins would destroy the present relations. Petitioners in official and western classification territories ask that the report and order be modified so as to eliminate any requirement that the class rates applicable on coastwise and intercoastal traffic moving to and from north Atlantic ports be increased or reduced. This includes domes-

tic class rates applicable on coastwise and intercoastal traffic in the absence of specific coastwise and intercoastal rates. For example, from some points in official territory only domestic class rates are published to Baltimore, and these rates apply also on coastwise and intercoastal, as well as on export and import traffic. In such cases it is contemplated that the old class rates shall continue to apply on coastwise and intercoastal traffic as well as on that which is export or import traffic.

Both petitions are supported by the North Atlantic Ports Conference, an organization of port authorities and commercial organizations representing various north Atlantic ports. The Ports Conference points out that there is no evidence relating directly to rates applicable on coastwise and intercoastal traffic, and that, in addition to disturbing the relations between the rates to and from the north Atlantic ports and those to and from south Atlantic and Gulf ports to the detriment of the former, the report and order, by increasing the rates to and from the north Atlantic ports, will place steamship lines, particularly intercoastal lines, under an additional competitive disadvantage as against competing rail or motor carrier routes.

The only other reply to the petitions is from representatives of the State of Florida and various commercial institutions in that State. That reply concedes that "since the export and import class rates are exempted, perhaps the rail proportional class rates in connection with coastwise and intercoastal traffic should also be exempted from the interim order."

Upon further consideration of the record, and the petitions and replies thereto, we find that our previous findings in Part III, pages 702 to 706, and our interim order should be modified by excepting: (1) Class rates applicable to coastwise and intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports); and (2) class rates applicable to coastwise and intercoastal traffic moving through south Atlantic and Gulf ports where such rates are specifically published as coastwise and intercoastal class rates.

Deming, N. Mex., class rates as maxima

The southwestern railroads have filed a petition for modification of our findings and interim order respecting class rates to and from points in the Southwest where the Deming, N. Mex., rates are held as maxima. Class rates prescribed in the *Consolidated Southwestern Revision* were in some instances higher than the transcontinental rates applicable to and from Deming. Therefore, the Deming rates were held as maxima. In some instances this was done by means of a tariff rule. In other instances the Deming rate, in cents per 100 pounds, was specifically published for application to and from points in the Southwest.

Obviously both situations should be treated alike in applying the 10 per cent reduction required by the interim order. Petitioners ask that our findings and order be modified so as to eliminate any requirement to reduce class rates to and from points in the Southwest where the Deming rate is held as a maximum. The southwestern steering committee in a reply asserts that to grant the petition as presented would not give shippers the benefit of reduced class rates where such reduced class rates would be lower than the Deming rates.

Our findings in Part III, pages 703 and 704, are hereby modified so as to provide that (1) where the Deming rates are held as maxima by means of a tariff rule, the rule may continue to apply to the class rates reduced 10 per cent, and (2) where the rates are published specifically in cents per 100 pounds, using the Deming rates as maxima, the class rates should be recomputed on the zone-III basis and the rates thus arrived at reduced 10 per cent, and further reduced to the Deming rates as maxima.

Rates to and from points on short or weak lines

Respondent rail carriers have filed a petition seeking clarification of our interim order insofar as it relates to class rates to and from points on short or weak lines. The only reply to the petition is from Florida interests, includ-

ing State authorities and representatives of various commercial associations. This reply interposes no objections to the petition "for fear that such objections might delay publication of the new rates," but adds "that any order issued in response to the petition should be subject to a proviso that the resulting rates will be in substantial accord with the Commission's findings."

In our original report (page 700), we reserved for later consideration the matter of arbitraries for short or weak lines. Nevertheless, technically both our interim and our ultimate findings apply to rates to, from or between points on short or weak lines as well as to, from or between points on standard lines. As there is as yet no order or effective date in connection with the ultimate adjustment, the omission of any specific findings with respect to the extent to which short or weak lines are entitled to arbitraries higher than the standard basis prescribed is not of immediate importance in connection therewith. Similarly, where, in the interim adjustment, the existing rates are increased or reduced by the full 19 per cent prescribed, no complications will result, as both the base rate and the arbitrary will be increased or reduced by the required percentage whether in the tariffs the arbitraries are published separately or included in the rate.

But where on interterritorial traffic or on traffic within western and southern territories, the minimum scale comes into play, the effect is to make a relatively greater reduction in rates to and from points on short or weak lines now having arbitraries, and to reduce or eliminate such arbitraries, due to the fact that there is no provision for adding any arbitraries in applying the minimum scale. For example, between Boston, Mass., and Valdosta, Ga., a point on a standard line, the first-class rate is $2.38. This rate reduced 10 per cent would become $2.14, but as the minimum scale for the distance is $2.40, no change is required and the rate remains unchanged, $2.38. But to Nashville, Ga., a nearby point on the Georgia & Florida Railroad, the present rate is $2.61, a portion of which represents an arbitrary authorized for the Georgia & Florida. If the rate be reduced 10 per cent it becomes $2.35, but, as the minimum scale

rate is $2.40 under the findings and order, the Boston-Nashville rate becomes $2.40, and the present difference of 23 cents over Valdosta will be reduced to 2 cents. Thus the arbitrary for the Georgia & Florida which accrues exclusively to it is practically eliminated.

Such result was not intended. In order to avoid an unjust result to short or weak lines which have been accorded arbitraries, authority should be granted to add the existing arbitraries, reduced by 10 per cent, in applying the minimum scale. However, the petition points out that to readjust the rates precisely in this manner will require considerable time, because in many instances the arbitraries are not separately stated in the tariffs. In the interest of eliminating delay in effecting publication, respondents agree, if permitted, to produce substantially the same result by determining the differences between the existing first-class rates to or from the nearest junction point with the short or weak line and the existing first-class rates to and from points on the short or weak lines, and then to publish new first-class rates to and from the latter points in amounts exceeding the new rates to and from the junction point by the existing differences reduced 10 per cent.

Our findings in Part III on pages 703 and 704 of the report are hereby modified to authorize the addition of the existing arbitraries, reduced by 10 per cent, in applying the minimum scale, and the described method of publication will be considered as substantial compliance with the findings and order so modified, subject to later revision in cases where the difference is material.

Subnormal Class Rates

The western rail respondents in southwestern and western trunk-line territories have filed a petition requesting modification of our findings and interim order so as not to apply to class rates within and between southwestern and western trunk-line territories which these respondents have published to meet the competition of intrastate class rates required to be published within the borders of various States or voluntarily established to meet motor carrier and other competition. Although not specifically excepted in the petition, it is understood that the request of these re-

spondents does not extend to class rates voluntarily reduced from the zone IV basis to the zone III basis in southwestern territory.

The following tariffs provide interstate class rates which are below the bases prescribed by us in prior class rate revisions:

Agent Marsh's I. C. C. 3627 provides first, multiples of first, second, third, fourth, and one-half of fourth-class rates for distances 200 miles and less within southern Missouri, also between southern Missouri on the one hand, and Illinois and Kansas on the other hand.

Agent Marsh's I. C. C. 3628 provides first, multiples of first, second, third, one-half of third, fourth, and one-half of fourth-class rates for distances 500 miles and less between Arkansas, Kansas, southern Missouri and Oklahoma.

Agent Marsh's I. C. C. 3631 provides first, multiples of first, second, third, fourth, and one-half of fourth-class rates for distances 200 miles and less between Arkansas, southern Missouri and Oklahoma, also between those points on the one hand, and Illinois, Memphis, Tenn., Texarkana, Bloomberg, Cass and Whatley, Tex., on the other hand, also from northern Louisiana to Arkansas and Bloomberg, Cass, Texarkana and Whatley on the other hand.

Agent Kipp's I. C. C. No. A-3121 provides carload and less-carload class rates between points in Iowa on intrastate traffic also on interstate traffic to the extent indicated in Item 30 of the tariff.

Agent Kipp's I. C. C. No. A-3309 provides carload and less-carload class rates between points in Wisconsin on intrastate also on interstate to the extent indicated in Items 1505 to 1525, inclusive, of the tariff.

Agent Kipp's I. C. C. No. A-3437 provides carload and less-carload class rates between points in Nebraska on intrastate traffic, also on interstate traffic to extent indicated in Items 2001 and 2002.

Agent Kipp's I. C. C. No. A-3582 provides motor compelled less-carload class rates between points in Kansas; between stations in Missouri on Missouri River

and stations in Kansas; between stations in Missouri on the Missouri River, intrastate and interstate.

Agent Kipp's I. C. C. No. A-3418 provides carload and less-carload class rates between points in Minnesota on intrastate traffic; also on interstate traffic to the extent indicated in Item 900 of the tariff.

Agent Kipp's I. C. C. No. A-3402 provides motor compelled less-carload class rates between St. Louis, Kansas City, St. Joseph, Mo., and stations in Missouri; between Atchison, Leavenworth, Kans., and stations in Missouri; between Alton, E. St. Louis, Belleville, Granite City, Ill., and stations in Missouri, also Atchison and Leavenworth, Kans., interstate and intrastate.

The minimum scale prescribed as a part of the interim adjustment will not prevent the reduction of these so-called subnormal class rates except for the shorter distances. For example, subnormal class rates for distances of 180 miles and less in Agent Marsh's I. C. C. 3627 would not be reduced because they are either as low as, or lower than, the minimum scale, but subnormal class rates published in that tariff for distances in excess of 180 miles would be reduced, and the rates so reduced would be in excess of the minimum scale.

In Kansas, and between points in Kansas, and Kansas City and St. Joseph, Mo., and other points in Missouri between Kansas City and St. Joseph, these respondents established class rates on less-than-carload traffic, classes 1 to 4, inclusive, to meet motor-truck competition. These class rates are published in Agent Kipp's I. C. C. A-3582. All of these rates are lower than the class rates which we prescribed between those points, as shown by the following table:

Kansas City, Mo., to Salina, Kans.	183 miles
Docket No. 17000, Part 2, first-class rate	$1.13[1]
Docket No. 17000, Part 2, reduced 10 per cent	1.02
Docket No. 28300 minimum rate	.88
Applicable first-class rate	1.07
Applicable first-class rate reduced 10 per cent	.96

[1] Including increase authorized in Ex Parte 123.

It will be noted that the subnormal first-class rate of $1.07 is 5 cents higher than the rate of $1.02, the normal class rate reduced 10 per cent. If the 10 per cent reduction is applied to the subnormal first-class rate of $1.07 it would become 96 cents, or 6 cents lower than the first-class rate prescribed by us reduced 10 per cent to $1.02. The minimum scale does not prevent the reduction of the subnormal first-class rate of $1.07 the full 10 per cent.

Kansas City, Mo., and Kansas City, Kans., both take the same class rates between those points and points in Kansas. The intrastate class rates would not be subject to our interim order. If the 10 per cent reduction were applied to the subnormal class rates between Kansas City, Mo., and points in Kansas, the first-class rate from Kansas City, Mo., to Salina would be reduced to 96 cents, as compared with a first-class intrastate rate of $1.07 from Kansas City, Kans., to Salina.

In Nebraska, following the western trunk-line revision, the railroads applied to the State Railway Commission of Nebraska for an order to make the interstate basis, as prescribed by us, applicable on Nebraska intrastate traffic. The application was approved as to the eastern portion of the State, but in the zone III portion of the State the Nebraska Commission required the railroads operating therein to establish the zone II scale. Such rates are applicable on Nebraska intrastate traffic, and on interstate traffic between Nebraska stations east and west of Julesburg, Colo., on the Union Pacific Railroad Company, hereinafter called the Union Pacific. They are published in Agent Kipp's I. C. C. No. A-3437.

For example, between Omaha and Sidney, Nebr., class rates on the Union Pacific, applicable on interstate traffic, are subnormal because the only route of that line from Omaha to Sidney is through Julesburg. The Chicago, Burlington & Quincy Railroad Company has an intrastate route between those points. Unless our findings and interim order in this proceeding are modified, the following situation will exist as to class rates between Omaha and Sidney:

Omaha to Sidney, Nebr.	405 miles
Docket No. 17000, Part 2, first-class rate	$1.73[1]
Docket No. 17000, Part 2, reduced 10 per cent	1.56
Docket No. 28300 minimum rate	1.28
Applicable first-class rate	1.67
Applicable first-class rate reduced 10 per cent	1.50

[1] Including increase authorized in Ex Parte 123.

The normal first-class rate prescribed by us is $1.73. The Nebraska intrastate rate prescribed by the State Commission is $1.67, a difference of 6 cents. A 10 per cent reduction in the normal first-class rate will result in the rate of $1.56, whereas when reduced 10 per cent the present subnormal first-class rate would be $1.50, or a difference of 6 cents. The minimum scale rate is $1.28.

What has been stated above as to the class rates between Omaha and Sidney is also true of the class rates between stations on the Union Pacific in Nebraska west of Julesburg and stations on the Union Pacific, Gering, Neb., and west, which are applicable via the interstate route of the Union Pacific through Egbert and Yoder, Wyo.

The class rates between Menominee, Mich., and points in Wisconsin north of extended zone C, published for the Chicago and North Western Railway Company and the Chicago, Milwaukee, St. Paul and Pacific Railroad Company in Agent Kipp's I. C. C. A-2592, are also lower than the class rates prescribed by us. They were established to meet motor-truck competition.

Subnormal class rates apply between Manistique-Cherry Valley, Mich., on the one hand, and Chicago, Ill., and Milwaukee, Wis., on the other hand. The subnormal first-class rate to Chicago is $1.08 and to Milwaukee 95 cents. The first-class rates prescribed by us are $1.31 to Chicago and $1.13 to Milwaukee. The subnormal class rates were published pursuant to fourth-section relief and do not apply as maxima at intermediate points. Traffic between these points can move wholly within official territory. Compliance with our interim order would result in class rates via the west-side route approximately 20 per cent less

than via the east-side route because the east-side route class rates would be increased 10 per cent and the west-side route class rates would be reduced 10 per cent.

The southwestern steering committee opposes the petition. In some instances subnormal class rates do not alternate with the class rates prescribed by us. The committee contends that therefore to grant the petition will leave in effect rates higher than the so-called normal class rates reduced as provided in this proceeding. However, it is understood, and these respondents have stipulated, that if the petition is granted they will reduce the subnormal class rates so that in no instance will such rates, subject to western classification as involved in this proceeding, be in excess of the corresponding normal class rates as prescribed by us, subject to the reductions prescribed in our interim order in this proceeding. The steering committee further points out that in many instances key rates applicable intra- and interterritorially have been voluntarily changed by respondents, and assumes that to grant the petition will leave the respondents free to use their own judgment in determining which is a prescribed rate and which is a voluntary rate, and thus escape the prescribed 10 per cent reduction. We do not so understand the petition, but we agree that such modification of the findings as may be made should not extend to such situations.

Our findings in Part III, pages 703 and 704, are hereby modified to the following extent: Subnormal class rates named in rail respondents' tariffs designated Agent Marsh's I. C. C. Nos. 3627, 3628, and 3631, and Agent Kipp's I. C. C. Nos. A-2592, A-3121, A-3309, A-3402, A-3418, A-3437, and A-3582, and subnormal class rates between Manistique-Cherry Valley, Mich., and Chicago, Ill., and Milwaukee, Wis., are hereby excepted from our findings in Part III of the original report, subject to respondents' stipulation that in no instance will the subnormal class rates in western trunk-line and southwestern territories exceed the corresponding normal class rates prescribed by us, reduced 10 per cent. If there are other similar situations they should be brought to our attention.

Rates to and from Points in Extended Zone C in Wisconsin

Respondents in official and western trunk-line territories ask that the findings and order with respect to the interim adjustment of class rates applicable between that part of Wisconsin located in so-called "extended zone C" and official territory, including Illinois freight territory, be amended or clarified so as to make it clear that such rates shall be treated the same as rates between zone C in Michigan and official and Illinois territories, viz., be subjected to a 10 per cent increase. Green Bay Association of Commerce, joined by various associations and shippers in various cities in extended zone C, opposes the petition.

In our original report official territory is defined (at page 516) as including New England, trunk-line, central, and Illinois territories. The western boundary of official territory consists in part of the west bank of Lake Michigan, including west-bank car-ferry ports, south to Milwaukee, Wis., thence the line of the Milwaukee to Rugby Junction, Wis., thence the line of the Minneapolis, St. Paul and Sault Ste. Marie Railway to Duplainville, Wis., thence the line of the Milwaukee through Watertown, Wis. Western trunk-line territory as defined in the report lies immediately west of this line. Technically therefore our findings and order treat rates between all points in Wisconsin west of the western boundary of official territory and points in Illinois and official territories as interterritorial, which must be reduced 10 per cent subject to the minimum scale shown on page 704. But in *Western Trunk Line Class Rates*, 164 I. C. C. 1, that portion of eastern Wisconsin lying west of the western boundary of official territory and on and east of a line extending from Green Bay to Watertown was termed "extended zone C" and made subject to the official classification and the same rates as applicable in zone C in Michigan. Thus in effect this small portion of eastern Wisconsin was transferred to official territory. Rates within zone C in Michigan and between that zone and the remainder of official territory are required by our findings to be increased 10 per cent. This includes rates between west-bank Lake Michigan points such as Manitowoc and Kewaunee, Wis., which are directly intermediate to Green

Bay, Fond du Lac and other points in extended zone C. For example, the first-class rate between New York and Manitowoc and Kewaunee, now $1.67, will be increased to $1.84. The present rate between New York and Green Bay is $1.72. Inasmuch as the minimum scale for the distance is greater than $1.72, this rate will remain at that figure if the findings and order are left unchanged, leaving a rate 12 cents lower than to intermediate west-bank Lake Michigan ports through which the traffic moves. From Detroit to Manitowoc and Kewaunee the present first-class rate of $1 will become $1.10, but the existing rate of $1.06 to Appleton and Fond du Lac in extended zone C will remain unchanged. The reply of the extended zone C shipper interests takes the position that, under the present findings, the rates to west-bank Lake Michigan points would be applied as minima, thus avoiding fourth-section departures. In *Western Trunk Line Class Rates*, the western boundary of official territory is coincident with the western boundary of extended zone C. Therefore, the authority to apply gateway rates as minima would appear to relate to points beyond extended zone C rather than to points within that zone.

Rates between Illinois territory and extended zone C are in a different category from the remaining rates to and from official and Illinois territories in that, in the sixth supplemental report in the *Western Trunk Line Case*, these rates were made subject to the western classification. Between Illinois and zone I in western trunk-line territory, the class rates are somewhat higher than those for like distances to and from extended zone C, but this situation would be reversed if the rates to and from zone I are reduced and those to and from zone C increased. For example, between Chicago and Oshkosh in zone C, 165 miles, the present first-class rate is 81 cents and to and from Ripon, 168 miles, in zone I, it is 88 cents. Due to the application of the minimum scale, comparatively few rates between Illinois and zone C would, under our present findings, be reduced, although to and from the eastern part of zone I there will be considerable reductions. If the petition is granted the rates to and from zone C would be increased 10 per cent, resulting in rates higher than those to and

from points beyond in zone I. For example, the Chicago-Oshkosh first-class rate would be increased to 89 cents and the rate to and from Ripon will be reduced to 84 cents.

Extended zone C in Wisconsin having been placed by us, in the *Western Trunk Line Class case*, in the same category as zone C in Michigan (with the exception of rates between extended zone C and Illinois territory) should be treated the same in this proceeding with the same exception. Therefore our findings in Part III, pages 703 and 704, are hereby modified so as to treat extended zone C in Wisconsin as being embraced within official territory in the matter of rates between points in that extended zone and points in official territory, other than rates to and from Illinois territory.

Class Rates Between Owensboro, Ky., and Points in Official Territory

The Louisville & Nashville Railroad Company seeks modification of the findings and order relating to the interim adjustment so as to eliminate therefrom any requirement that certain truck-competitive class rates governed by the official classification applying between Owensboro, Ky., and stations on the Louisville & Nashville in official territory, also Cincinnati, Ohio, and Evansville, Ind., be reduced. Although Owensboro is on the Ohio River, it was treated in the *Southern Class Rate Investigation* as a point in southern territory, and rates to and from points in official territory were made on the interterritorial basis generally used between official territory and the South. This is because there is no railroad bridge at Owensboro and railroad traffic to and from that point must move through some gateway such as Evansville or Louisville in reaching official territory. Thus the prescribed rates are subject to the southern classification and made on the interterritorial basis.

In 1940 a highway bridge was constructed at Owensboro and motor carriers established class rates between Owensboro and certain points in official territory subject to the official classification. By fourth-section orders No. 14357 of August 26, 1941, and No. 14594 of April 16, 1942, the Louisville & Nashville was authorized to meet such rates without

reducing rates from and to intermediate points in southern territory east and west of Owensboro, subject to the conditions that such rates should not be lower than the rates of the motor common carriers and that the prescribed rates subject to the southern classification should continue to apply alternatively therewith. It is to these rates subject to the official classification that the petition relates. No one questions that the rates subject to the southern classification should be reduced 10 per cent subject to the minimum scale. Petitioner points out that it is between two fires in that, technically speaking, the rates published by authority of the two fourth-section orders are interterritorial and therefore must be reduced in the manner prescribed for interterritorial rates in general, but it is prohibited from reducing such rates by the condition in the fourth-section order that it shall not maintain rates lower than those of the motor carriers. The only reply to the petition is from the State of Florida and certain commercial organizations in that State, which reply interposes no objection to the relief sought.

There is no specific evidence in the record with respect to these particular rates. Few, if any, other points in southern territory have the benefit of two sets of rates, one subject to the official classification, and the other to the southern, thus enabling shipments to move on the lower of the two bases. Our findings in Part III, pages 703 and 704, are hereby modified so as to eliminate any requirement that these class rates subject to the official classification be reduced.

Commodity, exception or column rates v. class rates

The Southwestern steering committee, representing various southwestern and middle western States and commercial interests therein, asks that the report and order be amended to require that in instances where the prescribed maximum class rates are lower than commodity rates, or rates based on exception ratings, such maximum class rates shall apply. As stated on page 454 of our original report, this proceeding includes all rates determined by ratings in the four classifications, irrespective of

whether the ratings are stated under the regular numbered or lettered classes or as percentages of first class, but none other. It does not embrace exceptions to the classifications. To require what the Southwestern steering committee asks would apparently go beyond the issues.

The rail respondents have filed a petition requesting that our findings and order prescribing the interim adjustment be amended sufficiently to permit the carriers to include in their tariffs provisions that the new class rates will not apply on particular shipments when there is in effect a commodity rate, or a rate resulting from a classification exception or column rating, from and to the same points via any route. The petition points out that as a result of practical difficulties few class rate tariffs contain complete routing. Class rates generally either apply over all routes composed of lines parties to the tariff, or over all routes not exceeding certain *general mileage* limitations, and therefore often apply over seldom used routes involving numerous transfers from one carrier to another. Where commodity or column rates have been established, in most instances routing has been provided, designed to hold the traffic to workable, reasonably direct routes involving a minimum of transfers. Over routes over which commodity rates or exception or column rates apply on certain commodities, the corresponding class rates have no application, but over other routes, which generally are not used for the transportation of such commodities, the class rates apply.

Where the class rates are reduced 10 per cent, as required in this proceeding, the new rates, in some instances, will be lower than the commodity or column rates. This is particularly true where the commodity rates are on group bases and the class rates are on a distance-scale basis. If the reduced class rates are allowed to become effective over the unused routes, shippers will be able to nullify the commodity or column rates either by specifically routing their shipments over unused routes over which such commodity or column rates do not apply, or by delivering their shipments to carriers unrouted, thus placing upon the carriers' agents the burden of determining whether there is any route over which there is a class rate lower than the com-

modity or column rate now used. In the latter instances, even if shipments are transported over the shorter and more generally used routes, the initial carrier may be called upon to shrink its earnings sufficiently to bring the charges on the shipment down to those resulting from the class rate over another and unused route.

Origin and destination differentials will in some instances be disturbed and groupings broken up if the reduced class rates are to apply in instances where they happen to be lower than commodity or column rates. Generally speaking, estimates of the immediate effect of the interim adjustment upon the carriers' revenues have been based on the assumption that the new rates will not apply on traffic which is not now moving on class rates subject to the ratings in the classifications, but, if the petition is denied, to all practical purposes the new class rates will apply in all instances where the charges resulting from their application are lower than those resulting from commodity or column rates between the same points. Disturbance of origin differentials brought to our attention is illustrated by the rates on compressed carbon black in carloads from Pampa, Tex., and Fairbanks, La., to northern and eastern points. Pampa is in the Amarillo group and Fairbanks in the Monroe group. Using Pittsburgh as a representative destination, the existing commodity rate from Pampa, $1.03, is lower than the reduced fifth-class rate, $1.05, but from Fairbanks, the commodity rate of 92 cents is 3 cents higher than the reduced fifth-class rate of 89 cents. The rates on carbon black from Pampa and Fairbanks were established pursuant to a decision of division 2 in *National Gas Products Assn.* v. *Akron, C. & Y. Ry. Co.*, 232 I. C. C. 619. In that proceeding a differential of 11 cents for the Amarillo group over the Monroe group to practically all destinations in the Northeast was approved, which differential adjustment would be disturbed under our decision in this case if left unchanged. In the *National Gas Products Assn. case*, division 2 also found commodity rates from the Monroe group not unreasonable even though they exceeded the class rates, this conclusion being based on the fact that the commodity rates at that time applied both on compressed and uncompressed shipments and the commodity rates were

much lower on uncompressed carbon black than the class rates so that the adjustment as a whole was found not unreasonable. Respondents here ask us to apply the same principle as was followed in the *National Gas Products case* and avoid breaking down differential and grouping adjustments such as that on carbon black.

Florida interests oppose the petition. These interests take the position that the requested modification would disregard the long-established principle that commodity rates which exceed class rates on the same article are *prima facie* unreasonable; would have the effect of closing routes which are now available and deprive shippers of the privilege of routing their traffic in violation of section 15(8) of the act; and that the allegation in respondents' petition that unless it is granted they will be deprived of their long haul as permitted under section 15(4) of the act is erroneous. To grant the petition would not have the effect of closing any routes but would merely avoid unnecessary reductions in rates which today are not being used and which generally apply over routes over which traffic in general does not ordinarily move.

We recognize that further consideration will have to be given by the carriers and by us to commodity, exception, or column rates that will hereafter be higher than the reduced class rates, but it is our view that each situation should be considered on its merits rather than by forcing the application of the reduced class rates in all cases where there are now commodity, exception, or column rates. Such result was not contemplated. Our findings in Part III, pages 703 and 704, are hereby modified so as not to require the application of the reduced class rates, prescribed in Part III, over generally unused routes, where there are over other routes going commodity, column, or exception rates between the same points.

Class Rates to and from the Lexington and Big Sandy Branches of the Chesapeake and Ohio Railway in Kentucky.

The Commonwealth of Kentucky and the Railroad Commission of Kentucky, by petition, seek the following modi-

fications of our findings and order prescribing the ad interim adjustment:

1. Elimination of the proposed increases in rates within official territory, pending revision of classification ratings and final revision of the rates.

2. Addition of a finding requiring the establishment of class rates to and from points on the Chesapeake and Ohio Railway in Kentucky not higher than the basic class rates applicable within official territory.

In Kentucky the Chesapeake and Ohio has one main line (Ashland to Cincinnati) and two branch lines, the Lexington branch from Ashland, Ky., to Lexington, 124 miles, and the Big Sandy Branch from Kenova, W. Va., to Elkhorn City, Ky., 134 miles, where it connects with the Clinchfield Railroad. Pikeville, Ky., is a typical point on the Big Sandy Branch. The Chesapeake and Ohio also operates west of Lexington over the line of the Louisville & Nashville Railroad to Louisville, Ky., but has no freight service to or from points between Lexington and Louisville.

Although the petition technically includes the main line as well as the branches, it is evident that petitioners are primarily concerned with the class rates between Kentucky points on the branch lines of the Chesapeake and Ohio and points on official territory. All such rates are now, and for many years have been, subject to the official classification except the rates between Lexington and Winchester and points in central and Illinois territories, which latter are subject to the southern classification. Between all the points where official classification now applies, class rates were prescribed in *Eastern Class Rate Investigation*, 164 I. C. C. 314, on the same basis as in official territory with the addition of differentials specified next below, except that the mileages used in computing the rates are those over the Chesapeake & Ohio to Ashland and not over lines such as the Louisville & Nashville through Cincinnati. In Finding 7 at Page 406, Appendix F arbitraries were authorized on the Ashland-Louisville line, and in Finding 8, at Page 408, Appendix I arbitraries on the Big Sandy

Branch. The Appendix F first-class arbitraries range from 2 cents up to 6 cents for hauls of 140 miles and over 95 miles. The Appendix I arbitraries are much higher, ranging from 8 cents up to 38 cents for distances over 100 miles. Both the Appendix F and Appendix I arbitraries have since been increased 10 per cent under Ex Parte 123 so that the authorized first-class arbitrary to Lexington is today 6 or 7 cents and to Elkhorn City 41 or 42 cents. Key-point rates were prescribed in Appendix J. Pages 473-475, between Lexington and Winchester, on the one hand, and points in trunk-line and New England territories, on the other hand. These key-point rates are approximately 6 cents higher than rates between trunk-line and New England territories and points in Ohio or Indiana for comparable distances.

The class rates published and now in effect between points on the Lexington branch and points in official territory are substantially on the basis approved in the *Eastern Class Rate Investigation* plus the 10 per cent increase of 1938, but those to and from points on the Big Sandy Branch are considerably lower than the authorized rates, but somewhat higher than if made on the Eastern Scale.

Class rates between Lexington and Winchester, on the one hand, and central and Illinois territories, on the other hand, have never been subject to the Official Classification. Pursuant to *Southern Class Rate Investigation* rates to and from these two points were established on the same basis as generally applicable between the South and central territory. Subsequently, rates between Kentucky and official territory were reduced in *Commonwealth of Kentucky* v. *Ahnapee & W. Ry. Co.*, 213 I. C. C. 297. The present rates between these two points and central and Illinois Territories are on the basis prescribed in the latter case, subject to the Southern classification. The first-class rates are, roughly, 15 per cent higher than the Eastern scale. Due to differences in class percentages and classification ratings, it is impractical to estimate the average differences on all the classes.

In a supplemental report in *Eastern Class Rate Investigation*, 171 I. C. C. 481, at page 510, a petition filed by the

Lexington Board of Commerce was considered. That petition asked that the findings be modified so as to require the use of the Cincinnati, New Orleans and Texas Pacific Railway Company in making rates between Lexington and points in central territory. It also sought modification of the key rates prescribed between Lexington and points in trunk-line and New England territories so as to make them no higher in any case than the rates to and from Louisville. The petition was denied.

Our findings and order in this proceeding require a 10 per cent increase in class rates within official territory. Petitioners assume that as all the rates covered by their petition other than those between Lexington and Winchester and central and Illinois territories were prescribed in the *Eastern Class Rate Case*, they necessarily must be considered as intraterritorial in official territory and increased 10 per cent. This conclusion is not free from doubt inasmuch as both the Lexington and Big Sandy lines of the Chesapeake & Ohio are physically outside of official territory and were treated in *Western-Southern Class Rates* as being within southern territory and rates were prescribed to and from western trunk-line territory on the same basis as to and from points on southern lines in Kentucky and other southern States. Nevertheless, we resolve the doubts in favor of the construction placed upon our prior report by petitioners.

They show that a 10 per cent increase in the first-class rate between Lexington and New York, now $1.63 (the same as the eastern scale for the distance), would make that rate 11 cents higher than the first-class rate between New York and Frankfort, Ky. (which is west of Lexington on the Louisville & Nashville Railroad). Class rates between Frankfort and New York are subject to the southern classification and, due to the minimum scale, will not be changed under the interim order. Between Danville, Ky. (south of Lexington) and Pittsburgh the first-class rate of $1.20 (subject to the southern classification) will not be changed under the interim order but the first-class rate to and from Lexington ($1.18) subject to the official classification will be increased to $1.30. Thus on first class both of these sit-

uations would involve fourth-section departures. But due to the differences in classification that would not be true of classes below third. For example, the new fourth-class rate between Lexington and New York would be 90 cents whereas the fourth-class rate between Frankfort and New York will remain 92 cents. The existence of a higher first-class rate from Lexington than from Frankfort does not necessarily demonstrate that the class rates on the average would become higher. On the other hand, the class rates between official territory points and Cincinnati are subject to the official classification and will, under our findings, be increased 10 per cent. The present first-class rate between New York and Cincinnati is $1.50 which will become $1.65 so that if the Lexington rate of $1.63 is left unchanged it will be lower than the Cincinnati rate and fourth section departures will occur over routes through Cincinnati. The first-class rate between New York and Louisville is $1.64 which will be increased to $1.80 so that if the Lexington rate is left unchanged it will be 17 cents less than the Louisville rate.

Petitioners also show that class rates between the Lexington and Big Sandy Branches and points in official territory will in many instances be higher under the interim adjustment than the maximum rates under the final adjustment (Appendix 10 scale). But that will also be true of practically all other class rates between points in official territory which in *Eastern Class Rate Investigation* were made higher than the eastern scale basis, such as the rates between points in zone C in Michigan and between points in zone B in New England.

The only reply to the petition is from Florida interests. They oppose the petition insofar as it seeks postponement of the effective date of the order, and insofar as it seeks any modification of the requirement that rates in official territory be increased. It takes no position with respect to the local issues raised by the petition affecting points on the Chesapeake & Ohio in Kentucky.

Petitioners' first prayer will be disposed of in connection with other petitions which seek elimination of the 10 per cent increase in official territory. The second prayer asks

for the prescription of specific rates to and from the particular points in which petitioners are interested, namely, class rates to and from points on the branch lines of the Chesapeake & Ohio in Kentucky. In effect, petitioners ask us to modify certain findings in the *Eastern Class Rate Investigation* to the extent that they resulted in higher rates on these particular branch lines than were prescribed for official territory generally. Those findings, however, were based upon evidence which related not only to the general problem of branch-line and short-line arbitraries, but which dealt specifically with the traffic and transportation conditions on these particular branches of the Chesapeake & Ohio. In prescribing the arbitraries which petitioners now seek to have removed we pointed out in our report in the *Eastern Class Rate Investigation* the necessity of exercising care in fixing the relations between rates to and from these branch lines and rates to and from other points in the same area located on main lines. The record in the instant proceeding does not, in our judgment, contain sufficient evidence dealing specifically with the branch-line adjustments referred to in the Kentucky petition to justify us at this time in undertaking to modify the conclusions previously reached in the *Eastern Class Rate Investigation*.

Other Petitions

In addition to the petitions heretofore discussed, others have been filed by various States, State regulatory commissions, shipper interests, railroad respondents in the western district, and by carriers by motor vehicle. Many of these request postponement of the effective date of the order, reconsideration, reargument, further hearing, and modification of the findings and order with respect to the interim adjustment and related matters in the report, as well as the so-called permanent adjustment based upon a uniform classification. We will consider here only the portions of the petitions which relate to the interim adjustment.

The principal objection made by northern States and shipper interests in official territory to the interim adjustment is to the requirement that class rates within such ter-

ritory be increased 10 per cent. They contend that we lack authority to require that increase without a finding that the present rates are not compensatory, or less than minimum reasonable rates and, therefore, unlawful; that the record does not warrant a finding that the class rates within official territory are unreasonable, or a finding that such rates are unduly preferential; and that, even if findings of undue preference and undue prejudice are warranted, we lack authority to require the unlawfulness in the rates to be removed as required in our order, and must afford the carriers an alternative as to the manner of removal.

The petition for reargument and reconsideration filed by the Minneapolis Traffic Association, also questions the legality of our findings under section 3, and our failure specifically to find that the class rates in official territory are less than reasonable rates. That petition contends further that we erred in prescribing one scale of class rates for less-than-carload traffic and carload traffic. A similar contention is discussed in connection with the petition of the motor carrier interveners. The Minneapolis Traffic Association asserts that the present class rates between Minneapolis and points in Illinois and official territories as prescribed in the western trunk-line class rates revision are unreasonable and that the record warrants prescription of the present official scale of class rates to and from points in official and Illinois territories and upper Michigan, from and to points in Northwest territory.

It is not necessary again to review the evidence as to the unreasonableness of the class rates brought in issue in these proceedings, or as to the undue preference and undue prejudice caused by and resulting from such rates, which we have found to exist. Having made the findings of unlawfulness, we have authority under section 15(1) of the Act and under section 5(b) of the Transportation Act of 1940, to prescribe the method for removing such unlawfulness, and to prescribe the rate levels or the rates which we find to be necessary to remove it. We may, by order, prescribe maximum or minimum or maximum and minimum rates to remove any unlawfulness, and such order need not provide for an alternative method.

In support of the contention that an alternative method of removing undue preference and undue prejudice must be provided, petitioners refer to *Texas & Pacific Ry. Co.* v. *United States*, 289 U. S. 627, in which the Court stated that "where an order is made under section 3, an alternative must be afforded". In a footnote to that statement, however, the Court said:

"This is not true of an order pursuant to Sec 15(1) prescribing maximum or minimum or maximum and minimum rates; but the present orders were not entered under that section." See also *Youngstown Co.* v. *United States*, 295 U. S. 476.

In requiring an increase in rates to remove unlawfulness we are not required first to find that existing rates, or proposed reduced rates initiated by carriers, are not compensatory. See *Petroleum between Washington, Oregon, Idaho, Montana*, 234 I. C. C. 609. We found in that proceeding that certain proposed reduced rates were compensatory, considering all costs, but that they were below a minimum reasonable level and hence unlawful. The order in that proceeding was sustained in *Scandrett* v. *United States*, 32 Fed. Supp. 995, and the judgment was affirmed by the United States Supreme Court in 312 U. S. 661. See also *Jefferson Island Salt Mining Co.* v. *United States*, 6 Fed. (2d) 315.

In the instant proceeding, in dealing with the interim adjustment, pages 702-706 of the report, we stated that our general findings and conclusions emphasized the importance and desirability of bringing the several intraterritorial freight-rate structures closer together in level and more upon the same pattern or scheme. We also emphasized the importance and desirability of removing as many differences as possible between the interterritorial rates of the respondents and the intraterritorial rates which they maintain. The differences in such rates and the effect upon the welfare of carriers, producers, shippers, consumers, and upon the welfare of localities, districts, regions, and territories were fully discussed in the report. The costs of service were considered, together with the consist of traffic, the distribution of the general rate burden, rate and revenue comparisons, and other matters. Our conclusions were that

the intraterritorial class rates within official and Illinois territories, as well as within the other territories dealt with, were unjust and unreasonable and that the relation between the interterritorial class rates from such other territories to official and Illinois territories, on the one hand, and the intraterritorial rates within the latter territories, on the other, gives and causes, and will continue to give and cause, an undue and unreasonable preference and advantage to official and Illinois territories as a whole and shippers and receivers of freight located therein, and subjects, and for the future will subject, the other territories as a whole, and the shippers and receivers of freight located therein to undue and unreasonable prejudice and disadvantage.

Our general power under section 15(1) of the act to order the removal of any unlawfulness in rates found to exist after full hearing has been supplemented and reinforced, insofar as this particular investigation is concerned, by section 5(b) of the Transportation Act of 1940. After authorizing and directing us to institute an investigation of rates between points in one classification territory and points in another such territory, or within a territory, we are specifically empowered by that provision "to enter such orders as may be appropriate for the removal of any unlawfulness which may be found to exist." In reaching our conclusions as to the necessity for increases in official and Illinois territories, and reductions in the other territories and interterritorially, we gave consideration not only to the factors previously mentioned, but also to the rates of return of the carriers in the respective territories and to their ability to render efficient service. The interim adjustment, as previously explained, was the initial step in the ultimate revision of the class rate structures found to be unlawful.

We are convinced from the evidence in these proceedings that the present class rates within official and Illinois territories are below a just and reasonable level and should be increased as a part of the adjustment, to remove the unlawfulness in such rates, in respect of both their unreasonably low level and their unduly preferential character. We are of the opinion that our findings as to those rates are sufficiently stated in the prior report, but to remove any doubt,

we find that the class rates within official and Illinois territories are less than just and reasonable rates, with the exceptions as stated in the prior report and in this report, and therefore unlawful, as well as unlawful because of their unduly preferential character, as more fully stated in the prior report.

Some of the petitions present as an additional reason for reopening these proceedings, particularly with respect to the interim adjustment, for further hearing or, at least, for oral argument, the fact that no proposed report was issued in docket 28300. We have given consideration to the arguments submitted in support of that request. In view of the extensive hearings already had, the briefs filed, the oral argument, the numerous petitions filed for reconsideration and the replies thereto, we are of the opinion that the lack of service of a proposed report did not result in depriving any party of its right to a full hearing.

Petition of certain Southern Industrial Interests

Certain industrial interests,[2] located in southern States, request reconsideration and modification of our findings and order upon the ground that they are not supported by the record. These interests contend that rates in the South have followed a pattern different from that followed in other territories, that the present class rate structure is well adapted to the economic needs of the South, and that the findings and order in these proceedings will result in competitive relations less favorable for southern shippers and more favorable for northern shippers. The main objection raised by these petitioners is to the finding that class rates should be uniform throughout the territory included in docket 28300. This matter has been fully considered in our report. The petition, in our judgment, does not present sufficient grounds for reconsideration.

Petition of Western Rail Respondents

The principal contentions of the western rail respondents are that the record does not warrant findings of un-

[2] Consisting of a textile company and several marble manufacturers in eastern Tennessee and certain iron, asphaltic limestone, and lumber interests in Alabama, Georgia, Mississippi, and North Carolina.

due preference and undue prejudice; that the immediate effect of the interim adjustment will be a substantial loss of revenue; that the revenue needs of the western rail respondents are greater than those of the eastern rail respondents; that the favorable earnings of the western railroads in the past three or four years have been due to wartime traffic conditions which may not properly be considered as criteria for post-war traffic; that the effect of the reduction in class rates will be greater on western lines; that the reductions will eventually have the effect of bringing about reductions in commodity and exception rates, thus increasing the revenue loss; and that, although our order does not apply to any part of mountain-Pacific territory reductions will have to be made in some of the class rates to, from, and within that territory to harmonize such rates with the reduced rates prescribed.

All of these questions were considered by us in arriving at our original conclusions. Making due allowance for a substantial decline in traffic from the war peak and for the fact that in the decade preceding 1940 the earnings of the western rail respondents were relatively low, nevertheless, insofar as the prospects of traffic and revenues in the immediate future can be foreseen, there is no reason to conclude that the interim adjustment will have any serious effect upon those respondents.

Intrastate class rates generally in most of the western States, and many of the interstate class rates in western territory, are already lower than the interim basis prescribed in our prior report. That is clearly shown in the prior report and is substantiated by the petition filed by the western rail respondents, dealt with elsewhere in this report, for modification of our order respecting so-called subnormal class rates. These respondents cannot consistently maintain these so-called subnormal class rates and continue to maintain the relatively high basis of interstate class rates formerly prescribed by us as maximum in the western and southwestern class rate revisions. The comprehensive record made in this investigation is also convincing that the extent to which the level of those maximum class rates exceeds the levels of class rates in the

South and East, particularly the latter, is excessive and is greater than is warranted by the differences in average costs and average freight rate levels.

These respondents assert, as do certain other petitioners representing eastern territory interests, that there is no evidence of injury or damage to particular shippers, and that therefore there can be no finding of undue or unreasonable prejudice or disadvantage in violation of section 3(1). As pointed out in our original report, section 3(1) is not narrowly limited to individual shippers, but applies also to regions and territories. Nothing presented by any of the petitioners convinces us that no undue prejudice and preference results from the unduly wide differences in class rates that now exist in the West as compared with the East, and especially locally within the East as compared with the interterritorial class rates on which industries of the West must ship if they are to market their goods in the East. In order to sustain a finding of undue prejudice and preference it is not necessary that damages in a legal sense be shown to have been sustained by individual shippers.

The record does not support the contention that the revenue needs of the western rail respondents with respect to their class-rate traffic are greater than those of the eastern rail respondents. From the carrier's reports to us for the years 1942, 1943, as shown in our original report, and 1944, it clearly appears that there is a greater need for revenue by rail carriers in the eastern district as compared with rail carriers in the western district or in the southern region. The report shows also that a much larger percentage of the total traffic in the eastern district moves on class rates than in the western district or the southern region.

Petition of Motor Carrier Interveners

In their petition the motor carriers request us (1) to suspend our order indefinitely insofar as it requires the rail carriers to reduce their less-than-carload class rates by 10 per cent, or (2) to modify the order by restricting the less-than-carload rates prescribed as maxima in the interim adjustment so as to limit them to station-to-station rates only and to exclude pick-up or delivery service under

such rates without prejudice to the establishment by the rail carriers of higher door-to-station, station-to-door, or door-to-door class rates. Replies to the petition were filed by American Cotton Manufacturers Association and other textile interests in the South; by the Southern Governors' Conference; by the State of Florida and Florida interests; by the Southwestern steering committee; by rail carriers in official territory; and by other interests.

The petitioners contend that our finding that the less-than-carload class rates should be reduced, except in official territory, is in conflict with our finding on page 697 of the original report, based upon the cost data, that less-than-carload traffic generally is not bearing its proper share of the costs of transportation. That finding was based on operations of the railroads in 1939 when the average load per car of less-than-carload shipments amounted to only 4.3 tons in the West, 5.5 tons in the South, and 6.4 tons in the East including Pocahontas and New England territories. Since then there has been a substantial increase in the average loading of such shipments which has materially decreased the unit costs attributable to less-than-carload traffic. The increased loading was brought about under wartime conditions, but it does not follow that in the post-war period, especially in the immediate future, loadings will decline to the levels of 1939.

The cost data on less-than-carload traffic relate to such traffic as a whole and not solely to that which moves on class rates. In appraising the figures it must be borne in mind that much of this traffic does not move on class rates, but on exception rates and commodity rates. Obviously, the class-rate traffic bears the highest rates. Consequently, even if under present conditions less-than-carload traffic, as a whole, in the West and South is not paying its proper share of the costs, it is possible that such result is due in a large measure to the maintenance of exception and commodity rates. In any event, data based only on averages for all this traffic do not necessarily demonstrate the impropriety of reductions in the highest level of rates. Even as to class rates on less-than-carload traffic, the record shows that in western trunk-line and southwestern territories

many intrastate class rates and interstate class rates are maintained which are lower than the corresponding reduced interstate class rates required by our interim order.

There is little support for the proposals of the motor carrier interveners that separate scales of class rates on less-than-carload and carload traffic be established. It is true that to widen the difference between less-than-carload class rates and carload class rates would not necessarily mean the use of separate scales, meaning by that scales having different progression. But unquestionably to make a 10 per cent reduction in carload class rates in the South and West while leaving the less-than-carload class rates unchanged would materially affect the competitive relations between shippers shipping in less-than-carload quantities compared with those shipping in carloads. There is no evidence upon which the extent of disadvantage that would result to l. c. l. shippers or the extent to which commercial and economic conditions would be disturbed thereby may be determined.

There is little direct evidence in this record with respect to pick-up and delivery on less-than-carload traffic. The cost of that service is not definitely shown. Such service was not included in transportation service under the class rates heretofore prescribed by us in our class-rate revisions as maxima in the West and South and interterritorially. The railroads in the southern and western territories began to provide the service to a limited extent in 1931. Pick up and delivery had been furnished, however, long before that time at certain points in official territory. Extension of the service to its present scope has been due to the rail carriers' efforts to meet motor carrier competition. The history and development of pick-up and delivery are discussed in *Pick-Up and Delivery in Official Territory*, 218 I. C. C. 441 (decided October 13, 1936). In that proceeding we found justified respondents' tariffs then in effect, and also respondents' proposed tariffs, which provided for pick-up and delivery on less-than-carload shipments in official territory, subject to a minimum rate of 45 cents per 100 pounds. The proposal of the motor carrier interveners to restrict the rates prescribed in our report and order in the instant proceeding so that they would apply only to

station-to-station service would in effect reverse our findings in *Pick-Up and Delivery in Official Territory, supra.* We would not be justified upon the record here in so restricting our order. Moreover, numerous maladjustments in rates would result by such a restriction because pick-up and delivery services would remain available on a large volume of traffic that moves on exception and commodity rates. However, respondents will be expected to give careful consideration to the rates maintained by them on less-than-carload traffic with a view to making readjustments in ratings or rates, as promptly as possible, which will insure that the rates on such traffic are on a compensatory level. Traffic moving on exceptions, column, and commodity rates, as well as pick-up-and-delivery services accorded less-than-carload traffic, should be so studied.

New Mexico

The State Corporation Commission of New Mexico requests further hearing, reconsideration, and modification of the findings and order so as to place New Mexico, or at least the eastern portion thereof, on a parity with Zone IV in Texas. New Mexico is in mountain-Pacific territory. The rates within, and to and from, that territory were not in issue in docket 28300 and therefore, no findings were made or can be made with respect thereto in that proceeding.

Fourth section relief

Upon application of all railroad respondents in No. 28300, division 2 entered a fourth-section order, No. 15410, modifying all outstanding unexpired fourth-section orders, as amended, which grant relief from the long-and-short-haul provision of section 4, of the the act, over all-rail, rail-water, and rail-motor routes, covering class rates for interstate transportation of property moving within southern, official (including Illinois territory), southwestern, and western trunk-line territories, and interterritorially between those territories, as described in the report, so as to provide that the relief authorized in such orders shall also apply to class rates constructed on the bases prescribed or approved, or determined in relation to those prescribed or approved,

in this proceeding, together with a proviso that such class rates may be applied over the same routes over which the class rates in effect immediately prior to the effective date of our order may be applied.

Rail-water rail-water-rail class rates

By order of July 25, 1945 we amended our order of May 15, 1945 by modifying all outstanding orders to the extent necessary to permit the reduced, or increased class rates to be applied. In order that corresponding changes may be made in the lake-rail and ocean-rail class rates, our orders of May 15, 1945 and July 25, 1945 will be amended so as to modify outstanding unexpired orders fixing rail-water and rail-water-rail class rates to the extent necessary to make corresponding changes in those rates.

We have given consideration to all other matters presented in the numerous petitions for reconsideration, modifications of the findings and order, further hearing and argument, and for postponement of the order, and the replies thereto. The petitions insofar as they relate to the interim adjustment are denied, except as stated in this report.

In a general readjustment as comprehensive as this, it is not practicable to attempt to revise individual rates. The findings in our prior report and in this report are made without prejudice to further consideration of individual rate situations in instances where it is shown that such revisions may be necessary; and without prejudice to the filing of tariffs by respondent carriers proposing changes in individual rates, or rates on particular commodities, subject to possible suspension.

Summary of modifications of ad interim class rate revision

Part III of original report

Our findings in Part III of the original report (pp. 702-706) are modified as follows:

1. Class rates: (1) on coastwise or intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports) and (2) on coastwise or intercoastal traffic

moving through south Atlantic and Gulf ports where such rates are specifically published as coastwise or intercoastal class rates, are excepted from our findings in Part III of the original report and from our interim order.

2. Class rates from and to points in southwestern territory, which are subject to the Deming, N. Mex., rates as maxima, and which would be reduced 10 per cent under our interim order, are to be computed as follows: (1) where the Deming rates are held as maxima by means of a tariff rule, the rule may continue to apply to the class rates reduced 10 per cent; and (2) where the rates are published specifically in amounts per 100 pounds, subject to the Deming rates as maxima, the class rates shall be recomputed on the zone-III basis, the rates thus arrived at reduced 10 per cent, and further reduced to the Deming rates as maxima.

3. Class rates to and from points on short or weak lines, when required to be reduced 10 percent, and when the minimum scale is applicable under our interim order, are to be determined by the addition of existing arbitraries, reduced 10 per cent, to the rate to and from the junction point, in the method more particularly described in this report.

4. Subnormal class rates named in rail respondents' tariffs designated Agent Marsh's I. C. C. Nos. 3627, 3628, and 3631 and Agent Kipp's I. C. C. Nos. A-2592, A-3121, A-3309, A-3402, A-3418, A-4537, and A-3582, and subnormal class rates between Manistique-Cherry Valley, Mich., and Chicago, Ill., and Milwaukee, Wis., are excepted from our findings in Part III of the original report, subject to respondents' stipulation that in no instance will the subnormal class rates in western trunk-line and southwestern territories exceed the corresponding normal class rates prescribed by us, reduced 10 per cent.

5. Class rates between extended zone C in Wisconsin and official territory are to be treated as within official territory, except rates between Illinois territory and extended zone C.

6. Class rates between Owensboro, Ky., and stations on the Louisville and Nashville Railroad in official territory, including Cincinnati, Ohio, and Evansville, Ind., governed by official classification, are excepted from our findings in Part III of the original report and from our interim order.

7. Reduced class rates are not required to be applied over generally unused routes in instances where there are over other routes going commodity, column, or exception rates, between the same points.

Amendment of Ultimate Findings, Part II

Finding 1, part II, page 700 of the report, is amended by adding thereto a paragraph reading as follows:

> That the intraterritorial class rates (except as apply to rail-and-water coastal service or relate to short- or weak-line arbitraries) applicable within official and Illinois territories are less than just and reasonable rates, and are, and for the future will be, unjust and unreasonable in violation of section 1 (4) and (5) (a) of the act.

An appropriate order will be entered.

PORTER, *Commissioner*, concurring in part:

I agree with the modifications of or additions to the prior findings here made with respect to the *ad interim* class-rate revisions except where and to the extent they are intended to support a required increase in any of the class rates in official territory, including the rates from points on the Chesapeake and Ohio in Kentucky. As stated in my separate expression which accompanied the prior report, in my opinion the record is wholly inadequate to support any findings that the class rates within official territory are unreasonable under section 1 of the act. Also, I am unable to concur in what is said in the instant report in support of the prior findings of undue prejudice and preference under section 3, which to my mind are grounded upon unwarranted assumptions rather than upon any factual evidence before us. Accordingly, I would grant the petitions

for reconsideration of the foregoing findings under sections 1 and 3.

BARNARD, *Commissioner*, dissenting:

I am unable to give my approval to the supplemental report herein. It is my view as heretofore expressed in my dissent from the majority action upon the original report that rates which have been prescribed by orders of this Commission cannot be condemned as being unreasonable and therefore in violation of section 1 of the Interstate Commerce Act or otherwise unlawful because in violation of some other section of the act, unless and until competent testimony has been given establishing that such rates are either unreasonable or otherwise unlawful. No such showing was made on the record in this case and therefore, as I said in that dissent, findings made by the Commission and the conclusions based thereon were unlawful. I cannot give even a qualified approval to this supplemental report without thereby giving such recognition to the original report as in my opinion it is not entitled to have. Such action would be inconsistent with and contradictory of the views expressed in my original dissent.

COMMISSIONER PATTERSON, necessarily absent, did not participate in the consideration and disposition of this supplemental report.

ORDER

At a General Session of the Interstate Commerce Commission, held at its office in Washington, D. C., on the 30th day of October, A. D. 1945.

No. 28300

CLASS RATE INVESTIGATION, 1939

It appearing, That on May 15, 1945, the Commission made and filed a report in this proceeding containing its findings of fact and conclusions thereon, and on the same date entered an order therein which was amended by order entered July 25, 1945;

It further appearing, That various petitions have been filed seeking reconsideration and modification of the said report and order;

And it further appearing, That the Commission has considered the matters and things involved in the said petitions, insofar as they request modifications of the findings, and of the said order, as amended, and has made and filed its supplemental report herein containing its findings of fact and conclusions thereon, which report and the report of May 15, 1945, are hereby referred to and made a part hereof:

It is ordered, That the said order of May 15, 1945, as amended, be, and it is hereby, further amended by adding to the second ordering paragraph additional provisos reading as follows:

Provided further, That the requirement herein that certain class rates be reduced shall not apply to class rates: (1) on coastwise or intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports); or (2) on coastwise or intercoastal traffic moving through south Atlantic and Gulf ports where such rates are specifically published to apply on coastwise or intercoastal traffic.

Provided further, That (1) where class rates from and to points in the Southwest are made subject to the Deming, N. Mex., rates as maxima by means of a tariff rule, such rule may continue to apply to the class rates reduced 10 per cent; and (2) where class rates from and to points in the Southwest are published specifically in amounts per 100 pounds, subject to the Deming, N. Mex., rates as maxima, the class rates should be recomputed on the zone-III basis, the rates thus arrived at reduced 10 per cent, and further reduced to the Deming rates as maxima.

Provided further, That, with respect to class rates to or from points on short or weak lines, the addition of existing arbitraries, reduced by 10 per cent, is authorized, as more particularly set forth in the aforesaid supplemental report made and filed on the date hereof.

Provided further, That the requirement herein that certain class rates be reduced shall not apply to the subnormal interstate class rates named in respond-

ents' tariffs designated Agent Marsh's I. C. C. Nos. 3627, 3628, and 3631 and Agent Kipp's I. C. C. Nos. A-2592, A-3121, A-3309, A-3402, A-3418, A-3437, and A-3582, and subnormal class rates between Manistique-Cherry Valley, Mich., and Chicago, Ill., and Milwaukee, Wis., which subnormal rates were established and are maintained for the purpose of meeting motor carrier or other competition and are more particularly described in the supplemental report herein, subject to respondents' stipulation that in no instance will the subnormal class rates in western trunk-line and southwestern territories exceed the corresponding normal class rates prescribed by this Commission, as modified by the reductions herein prescribed.

Provided further, That the requirement herein that certain class rates be reduced shall not apply to the class rates governed by the official classification between Owensboro, Ky., on the one hand, and stations on lines of the Louisville and Nashville Railroad Company in official territory, including Cincinnati, Ohio, and Evansville, Ind., on the other hand, which rates were established and are maintained in accordance with relief from section 4 of the Interstate Commerce Act for the purpose of meeting motor carrier competition.

And provided further, That the reduced class rates are not required to be applied over generally unused routes in instances where there are over other routes going commodity, column, or exception rates between the same points.

It is further ordered, That the said order of May 15, 1945, be, and it is hereby, further amended by adding to the third ordering paragraph two provisos reading as follows:

Provided, That the requirement herein that certain class rates be increased shall not apply to class rates on coastwise or intercoastal traffic moving to and from the north Atlantic ports (including the Virginia ports).

And provided further, That in the matter of class rates between points in extended zone C in Wisconsin, and points in official territory, extended zone C in Wisconsin shall be considered to be, and shall be

treated as, part of official territory, except as to rates between Illinois territory and extended zone C in Wisconsin.

It is further ordered, That the order of May 15, 1945, as amended by our order of July 25, 1945, be and it is hereby, further amended by changing the two new paragraphs, added after the fifth ordering paragraph by said order of July 25, 1945, to read as follows:

It is further ordered, That all outstanding unexpired orders, as amended, of the Commission, authorizing or prescribing class rates for the transportation in interstate commerce of property moving at the classification ratings within, and from and to, official territory (including Illinois territory), southern territory, southwestern territory, and western trunk-line territory, as described in the report herein, be, and they are hereby, modified, effective concurrently with the establishment of the rates herein required to be applied, to the extent necessary to permit the reduced rates or increased rates, herein required, to be applied, and to the extent necessary to allow respondents to make corresponding changes in their rail-water and rail-water-rail class rates.

It is further ordered, That all tariffs or supplements changing rates by authority of this order, which are maintained or held by authority of outstanding orders of the Commission, shall bear on their title page specific reference to this order, as amended.

It is further ordered, That in all other respects the petitions insofar as they request reconsideration, reargument, further hearing, modification of the findings and order, or postponement of the effective date, with respect to the ad interim revision be, and they are hereby, denied.

And it is further ordered, That this order shall continue in force until the further order of the Commission.

By the Commission.

W. P. Bartel, Secretary (Seal).

(6220)